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East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2117



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JANUARY 1981 ECONOMIC RESULTS SUMMARIZED

Prague HOSPODARSKE NOVINY in Czech 27 Feb 81 p 2

[Report of the Federal Statistical Office: "Plan Fulfillment in January 1981"]

[Text] The number of workdays in January 1981 was one less than in the same month of last year.

In industry the volumes of the value indicators were higher than in January 1980 in the case of most sales indicators, the value added indicator, and the volume of industrial production. At the same time, the enterprise plans' breakdown was not fulfilled in some of the indicators: the lowest fulfillment was reported in deliveries for other sales, at wholesale prices.

In construction the volume of construction work performed with the organizations' own labor, and the volume of value added, remained below the January 1980 level; the breakdown of the enterprises' January plans was not fulfilled in these indicators.

In the procurement of livestock products the procurement schedules for eggs, slaughter poultry, and milk were overfulfilled, and fulfillment of the procurement schedule for slaughter hogs was low. The January 1980 level was exceeded in the procurement of slaughter animals jointly, and in the procurement of eggs.

In public freight transport jointly, the transportation goals planned for January were exceeded, primarily within CSAD [Czechoslovak Motor Transport] and in inland navigation. The hauled freight volume was higher than in January of last year.

In domestic trade the retail turnover of the main trade systems was lower in January than in the same month of last year. The breakdown of the enterprises' retail turnover plans was not fulfilled.

In centrally administered industry the enterprise plans for deliveries to all destinations were overfulfilled in January 1981, with the exception of

deliveries for export to nonsocialist countries at wholesale prices, and of other deliveries for production consumption and operations. Although the planned goals were overfulfilled in general, 28 percent of the enterprises did not fulfill the breakdown of the enterprise plans in the case of deliveries for domestic trade at wholesale prices, and 34 percent of the enterprises did not fulfill the breakdown in terms of deliveries for export to socialist countries. In deliveries for export to nonsocialist countries at wholesale prices, 35 percent of the enterprises that had been assigned this indicator in their plans did not meet their January goals.

In comparison with January 1980 and calculated at wholesale prices, deliveries for export to nonsocialist countries rose to 101.7; deliveries for export to socialist countries, to 100.1; and deliveries for the domestic market, to 100.2.

In January 1981, according to preliminary calculations, value added in industry increased 0.8 percent over January 1980. At 99.6 percent overall fulfillment, 363 enterprises--i.e., 35 percent of the total number--did not fulfill their value added plans in January.

The volume of industrial production reached 50.5 billion korunas in January 1981 and was 0.7 percent higher than in January of last year. Average daily industrial production increased by 5.5 percent, while the state plan sets a 2.7-percent increase for entire 1981. The annual state plan for the volume of industrial production was fulfilled 7.9 percent in January 1981. Overall fulfillment of the aggregate of the enterprise plans in January was 99.4 percent. From the viewpoint of individual industrial enterprises, fulfillment of the planned volume of industrial production was differentiated: 198 enterprises, or 23 percent of the total number, did not meet their planned goals. In January 1981, the highest growth rates in the volume of industrial production, parallel with the overfulfillment of the enterprise plans, were achieved in heat and power generation, in the pulp and paper industry, and in the construction materials industry.

Employment in centrally administered industry rose by 0.7 percent in January, whereas the state plan for 1981 sets and increase of 0.5 percent.

Labor productivity in industry, measured in relation to the volume of industrial production and recalculated on the basis of value added, remained in January 1981 at the same level as in January of last year.

In construction the January volume of construction work performed with the organizations' own labor was 2.6 percent lower than in January of last year. Average daily output increased by 2 percent. Construction enterprises delivered 5.1 billion korunas' worth of construction work, whereby the breakdown of the enterprise plans for construction work was fulfilled 97.6 percent. January production goals were not met by 106 enterprises or 48 percent of the total number.

The volume of value added (according to preliminary calculations) likewise remained below the January 1980 level, by 2.1 percent; it totaled 2.0 billion korunas. Low fulfillment of the January plan was reported by the contracting enterprises in housing construction.

Employment at construction enterprises increased by 0.5 percent over January of last year; labor productivity based on construction work was 3.2 percent lower than in January 1980; labor productivity derived from value added was 2.6 percent lower.

In the procurement of livestock products the January schedule for the procurement of slaughter animals jointly was fulfilled 98 percent (fulfillment of the procurement schedule for slaughter hogs was low, 96.3 percent). Fulfillment of the procurement schedule was 104.3 percent for slaughter poultry, 103.1 percent for milk, and 105.9 percent for eggs.

In comparison with January of last year, the procurement of slaughter animals jointly, including poultry, was higher by 7,000 tons; milk procurement was down by 2.2 million liters; and egg procurement was up by 8.9 million eggs.

In public freight transport, fulfillment of the transportation goals planned for January was 100.9 percent overall, 97.9 percent in rail transport, and 103.3 percent within CSAD. The total volume of freight hauled was 48.6 million tons, an increase of 420,000 tons over the plan. In comparison with January of last year, the volume of freight hauled was higher by 3.9 percent. There was a sharp increase particularly in the volume of cargo transported by inland navigation.

The total number of car loadings increased by 2.5 percent over January of last year. The monthly plan was fulfilled 98.7 percent. Average daily loadings in terms of car units increased by 1.6 percent. The average turnaround time per car unit was 4.57 days, an increase of 8.9 percent.

The main trade systems in domestic trade sold 15 billion korunas' worth of merchandise in January 1980, at current prices. This included 13.1 billion korunas of sales within the trade network, and 1.9 billion korunas in public catering. In comparison with the same month of last year, the retail turnover of the main trade systems dropped by 1.1 percent in January 1981. The 1981 state plan anticipates a 2.3-percent increase for all the systems. Overall fulfillment of the enterprise plans for retail trade in January was 98.7 percent. The highest overfulfillment of the enterprise plans in January was achieved within Obchod Obuvi [Shoe Stores] (6 percent), Obchod Ovocem a Zeleninou [Fruit and Vegetable Stores] (5.5 percent, and within Odevy [Clothing Stores] (by 3.6 percent).

In foreign trade, at current prices, total export and total import in January 1981 were lower than in January of last year. Within the territorial structure of foreign trade, the turnover with nonsocialist countries

Basic Indicators of National Economy's Development in January 1981.
 Increments Over Comparable 1980 Period (in percent)

	January	Annual plan ¹
<u>Deliveries by Centrally Administered Industry for:</u>		
Domestic market, at wholesale prices	0.2	3.2
Export to socialist countries, at wholesale prices	0.1	2.7
Export to nonsocialist countries, at wholesale prices	1.7	3.3
Productive consumption and operations, at wholesale prices	0.6	
Volume of industrial production	0.7	2.7 ²
Average number of employees	0.7	0.5
<u>Construction:</u>		
Construction work performed with own labor	-2.8	2.8
Average number of employees	0.5	0.0
Labor productivity based on construction work	-3.2	2.8
Housing units delivered by contracting enterprises	-85.5	-15.9
<u>Procurement:</u>		
Slaughter animals (including poultry)	5.0	-1.4 ²
Milk	-0.6	0.7 ²
Eggs	3.9	-0.8 ²
<u>Retail Turnover:</u>		
Of main trade systems	-1.1	2.3 ³

¹ Growth compared to expected results in 1980.

² Growth compared to actual results in 1980.

³ All trade systems

developed at a faster rate. In January 1981, fulfillment of the annual plan was 3.4 percent in export to socialist and nonsocialist countries, 3.7 percent in import from socialist countries, and 4.6 percent in import from nonsocialist countries.

On 31 January 1981, the population's savings deposits with banks totaled 158.2 billion korunas.

Currency circulation on 31 January 1981 reached 42.4 billion korunas.

1014

CSO: 2400

LABOR, WAGE INCENTIVE EFFECTS ON ECONOMY DISCUSSED

Prague HOSPODARSKE NOVINY in Czech 6 Mar 81 p 3

[Article by Premysl Tomasek, CSSR deputy minister of labor and social welfare:
"The Thrust of the Party's Economic Policy in Industry"]

[Text] In the eighties the conditions closely related to efforts to raise the efficiency and motivation of labor resources have gained in stringency. Continued economic growth must be predicated predominantly on increased labor productivity, consistent implementation of vital aspects of economic efficiency and quality of all work; the key factor in accomplishing these national goals is raising the export potential of our economy and the rapid implementation of new scientific and technical findings in economic practice. It is obvious that achieving these goals calls for high-quality work and a productive and concentrated effort by all levels of management and every individual.

In economic policy, party and state strategy obligates us to take practical specific action: make full use of the enormous technical production potential and unleash the productive power needed to fulfill the stated objectives. In this endeavor the human factor--the worker--of necessity plays a vital role. The issue is to pace rationally and make full use of the potential of 7.7 million workers using material incentives to induce organizations and individuals to fulfill the economic tasks and social objectives called for by the Seventh Five-Year Plan.

Labor Resources

At this developmental stage of our society new labor resources are scarce indeed, available increases in labor resources are lower than in any preceding stage of socialist construction; the increase planned for the Seventh Five-Year Plan will not exceed 140,000 to 150,000 individuals distributed rather unevenly over the national territory. This fact compounds the problems arising from actually available resources and the geographic need for them. The socially desirable distribution of labor and its stabilization, more effective support of developmental programs and prospective new industries and the necessary resolution of fundamental structural labor supply problems are of prime importance.

A number of shortcomings and much inefficiency characterize the placement of our labor force and its full utilization. Therefore, proven methods, means and tools need to be applied to exploit the unused potential and thereby raise the efficiency of our entire economy. Among the solutions available are improving the system of planned reproduction of labor resources, their more effective control, achieving maximum harmony between the reproduction of means of production and their need for labor, setting standards for the size and structure of labor requirements and, last but not least, raising the quality of management at all levels.

In an improved system of planned management, the planning aspects of the labor reproduction system are reinforced; the labor requirement plan and its refined annual implementation plans are prepared with the help of standards and mandatory limits; the labor force balance--adjusted to time cycles required by new methods, technologies and capital construction--is extended to two five-year plans. The movement of labor will also be regulated by mandatory limits in the future; these will be expressed in absolute numbers, not determined by the incremental method as in the past; to simplify the process and render it more adaptable mandatory limits will be set for entire production branches within individual okruges and, where justified, within krajs. In essence, the regulatory system will govern all branches with the exception of social organs (or some of their organizations) and agricultural cooperatives.

This does not exhaust the full scope of the new measures. They aim primarily at:

--strengthening motivation and using material incentives to achieve an absolute saving in labor resources;

--achieving better coordination of the system of social and economic priorities governing the movement of labor (including wage and social inducements);

--establishing mandatory ratios of technical and economic personnel requirements and gradually introducing more exact work norms specifying numbers of operators and technical and economic workers;

--preparing 10-year plans of cadre, personnel and social development using advanced selection and labor placement methods and setting norms governing social amenities for individual installations;

--improving the system of planning the requirements for qualified cadres to meet objective needs and those of the national economy.

Production Funds

The urgency of managing labor resources more rationally applies in equal measure to means of production, especially to highly productive machinery. The total value of means of production in our country has exceeded the sum of Kcs 2.3 trillion which comes to a per capita amount of the order of magnitude of Kcs 150,000. But we are mismanaging these huge assets. While, on one hand, mechanization and equipment of work places with machines is improving,

utilization of available capacity of means of production is decreasing and slowing down the rise of labor productivity. This is one of the reasons why we lag behind the world labor-productivity standard. Means of production in our country are being used far below capacity; there is a large unused production potential. Intolerable losses—20 to 30 percent—are due to unnecessary work stoppages within shifts; increasing the productive potential of high performance machines and equipment by shift work is not being exploited adequately (it fluctuates between 50 and 70 percent). Even though a certain improvement became manifest last year, the fact remains that in 350 out of 1,000 industrial enterprises the shiftwork coefficient is below 1.4 and that 60 percent of the industrial labor force worked exclusively the day shift.

The roots of this unsatisfactory state are to be found in the long-term imbalance between the reproduction of means of production and the available labor force, in other words, in the excessive increase in the number of job opportunities and the ability to fill them. Of course, the deeper causes are the low impact and slow implementation of structural changes, the slow planned replacement of means of production, but also inadequate economic pressure which would induce organizations to intensify innovation and a more rational exploitation of production assets by consistent replacement of live labor with more advanced technologies.

Of course, there are also social impediments: low interest in shift work and in transfer to other more productive workplaces. The gap between available job opportunities and the actual number of workplaces has exceeded socially acceptable limits. This causes a backlash in the form of demands for expensive capital investments in order to reduce permanently the need for shift work, for improper increase of production capacities and "the chase after the illusion of the disappearing need for human labor."

To continue in this way would mean slowing down the process of rising production reproduction and decreasing the efficiency of the entire economy. Therefore, there is no other remedy than insisting on improved organization of production and rationalization of work, the speedy application of new technical and technological findings in enterprises, utilizing machines and labor to full capacity, in other words, raising the efficiency of all production factors effecting continued economic development.

Material Incentives Promoting Productivity

Raising the interest of organizations and individuals in the results of thier labor is important in solving serious social and economic problems. The introduction of new measures is designed to bring about a radical change in the approach and attitudes of management to wage-policy questions.

In our country, wage policy is an integral part of the state's economic policy; it is consistently based on socialist principles governing remuneration--on basic values which underly the socialist system: by its impact, the wage is an economic and social category, a production expenditure and remuneration for work. It motivates behavior and stimulates human activity and also affects strongly the standard of living. Therefore, it fulfills two functions in society: the economic and the social. At the current stage of building an advanced socialist society the primary function of the wage is economic.

As of 1981:

Adjusted proper output → 80 percent of basic wages

Profitability of means of production → 20 percent of the volume of incentive wages (premiums, bonuses, profit sharing)

Till 1980:

Production of goods, income → 96 percent of the volume of expenditures for wages

Profit → 4 percent for the incentive fund

Actual output and profitability of production assets are the basis for determining the wage fund, not the income from goods produced.

This wage concept calls for differentiating remuneration according to social contribution rendered, ensuring the establishment of the closest possible correlation between wage and development and the national product and labor productivity, orienting the incentive function of wages toward achieving maximum efficiency in fulfilling key economic goals and at the same time maintaining effective control of labor rendered and remuneration paid.

Implementing the new system in practice is predicated on changing both the formation of wage funds and their distribution. Simply, the issue is to remunerate properly those fulfilling their tasks conscientiously and well. Laziness, indifference, superficial knowledge and ability will not be rewarded.

The impact of the sum expended each year on wages--amounting to more than Kcs 215 billion--is low and unsatisfactory. In many places wages are being literally only "distributed;" some managers fail to differentiate between a good, average and poor worker and the same applies to a shop, operation, factory and enterprise. Unhealthy egalitarianism is a serious antisocial phenomenon which immobilizes productive and efficient workers. Therefore, creating a climate in society which will not tolerate egalitarianism and manifestations of "social truce" is an urgent task.

The Principle of Merit

At the end of last year, the CSSR Government approved measures designed to raise the effectiveness of the entire wage system. They constitute a firm program and at the same time a framework for managing and implementing wage policy in the Seventh Five-Year Plan at all levels of management.

The new method of acquiring and adjusting the means allotted for wages is based on the following principles:

--strengthening the conceptual and planning aspects of wage policy; specifying wage development programs for 1981 till 1985 in all branches, VJ's and enterprises;

--establishing a closer correlation between means allotted for wages and productivity; tying a larger proportion (approximately 80 percent) of wage expenditures to indicators expressing the strenuousness of productive labor (usually adjusted worker output) and a minor proportion (approximately 20 percent) to indicators expressing economic efficiency (usually profitability of production assets);

--establishing a still closer correlation between wage development and the technical standard and production quality; above-average paying wages for technically advanced and high-quality products and below average wages for obsolete and poor-quality products;

--making wage levels directly dependent on economic results of the organization by setting mandatory limits for 5-year and 1-year periods;

--evaluating wage development regularly, especially the ratio between output and actual labor costs; proceeding more strictly against organizations and managers responsible for exceeding socially and economically justified wage development.

The wage system (the distribution process) aims primarily at:

--implementing the merit principle consistently and rewarding individuals strictly on the basis of their own labor and contribution rendered to society;

--adhering strictly to a policy of differentiation with regard to remuneration; raising wages of individuals and collectives on the basis of work results achieved and vice versa;

--stimulating and raising rewards to versatile and productive workers; establishing a telling difference between remuneration paid to pioneers of social progress using proven work methods and those who lack these attributes; paying preferential wages to technical workers who are directly responsible for high-quality products and their outstanding technical and economic indicators;

--in the effort to improve the wage system focusing on incentive wage components (premiums and bonuses of all kinds) and orienting them strictly toward fulfilling vital tasks of scientific and technical development, efficiency, quality and economy of labor; within a broader context introducing piecework and paying piecework wages wherever conditions permit;

--abolishing the practice of making the payment of premiums and rewards contingent on the overall results achieved by the enterprise (excepting in the case of managers with overall responsibility); setting exacting conditions and differentiating indicators with the aim of raising output and productivity; ensuring that the entire system of material incentives is geared to the fulfillment of specific tasks and the meeting of specific conditions;

--improving the basis of all technical and economic standards; applying them consistently as tools in intraplant management and as reliable criteria in judging work and assessing remuneration; in the case of work-requirement standards focusing preferentially on the performance of services by operators, helpers and on routine duties of technical and economic workers where the potential for achieving improvements is highest;

--in setting remuneration, taking into account an individual's attitude such as work stability, long-term performance and work initiative; rewarding high-risk, hard physical and exhausting work, assembly-line work and steady-shift work;

--strengthening gradually the role of wage tariffs as the basic tool of wage differentiation; reestablishing a purposeful wage structure characterized by better differentiation between levels of qualification and differences in working conditions.

In the first stage (1981-1983), the primary issue will be the active development of incentive wage forms and the improvement and broadening of the base of standards of all kinds. In the second stage (1983-1985), more fundamental changes in the tariff system are being planned, namely, in methods of evaluating jobs, tariff qualification catalogs, wage tariffs and tariff scales, all designed more effectively to encourage efficient properly executed and initiative work.

Shortly, labor-brigade forms of organization of work and remuneration which in some countries are already playing an important role as an intraplant management tool will also be examined in our country. Under this scheme, planned tasks are assigned to individual labor brigades in the form of khozaschot tasks; thereby the collective interests in remuneration for the final results of the brigade's work assignment is emphasized; distribution is accomplished using cooperation coefficients which usually take into account the extent of the responsibility assumed, professional know-how and the measure of its application, the quality of the completed work, the technological and work discipline exhibited, participation in training young and new workers, loyalty to the enterprise, the worker's pride in his calling, etc.

Also important and stimulating are measures aimed at raising the interest of individuals and collectives in the increase of work productivity of society by achieving absolute savings in labor. The need to resolve this sticky problem arises from the imperative to raise efficiency and the objective necessity to manage labor resources more rationally. Therefore, organizations able to fulfill their obligations with a lower than stipulated number of workers are permitted to use the amounts saved above the planned increase of average wages. When the savings is included in the plan, then it can be used to supplement wages in full; when the saving is achieved in the course of implementation (and the saving is not included in the plan beforehand), then only part of the savings, from 20 to 70 percent, can be added to wages depending on the nature of the production branch; the actual percentages are expressed by coefficients which form a mandatory part of the new measures. As a matter of principle, an absolute saving in labor rates higher in material reward than fulfillment or overfulfillment of adjusted assigned tasks.

The organization can use the means thus acquired

--for the payment of material incentives to individuals and collectives which achieved it;

--as material incentives for special purposes within the framework of the entire organization (for example, to encourage shift work, to introduce standards based on technical criteria, as rewards for outstanding work effort).

8664

CSO: 2400

LEGAL MEASURE APPLIED FOR LOW-QUALITY PRODUCTION LOSSES

Prague HOSPODARSKE NOVINY in Czech 13 Feb 81 p 4

[Article by Eng Ladislav Benes, Federal Ministry of Finances, and Eng Josef Velek, State Planning Commission: "A Comprehensive Approach to Reduction of Losses-- Penalties for Low-Quality Production to Be Incorporated in the Legal Code"]

[Text] The Set of Measures for Improving the Planned Management System of National Economy After 1980 made provisions for penalties to be applied for low-quality production in the Seventh Five-Year Plan in such a manner that the penalty will constitute a part of our legal code. Pursuant to the Set of Measures, the State Arbitration of the CSSR is now drafting an ordinance of the CSSR government on penalties for low-quality production and other actions, and its work has progressed so far that the ordinance is scheduled to become effective as of 1 July 1981. the new legal measure will basically retain the heretofore objective contents of the Instructions on Procedures Penalizing Low-Quality Production, however, at the same time, it will take into consideration certain problems which occurred during the 2 years of the implementation of these instructions. In this article we present at least the most relevant issues.

The governmental measure now being drafted stipulated the following: the duty to impose penalties, determination of losses caused by low-quality production, the scope of organizations subject to penalties, the duties of official organs implementing the penal action (for example, assessment of permissible allowance for internal waste), and the areas of material incentives. The method of penal procedures in individual areas of material incentives has already been included in the instructions concerning the regulation on control of wages payable and rewards for labor, in the decree on the funds for cultural and social needs, in the decree on financing the replacement of capital assets, etc.

The Scope of Organizations

At present, all organizations are not subject to penalties for low-quality production; only industrial organizations (managed centrally or by national committees, and production cooperatives), construction organizations, agricultural,

forest and water management, and the centrally managed transportation and communications organizations are subject to penalties. The objective of the instructions is to penalize organizations engaged in vital production where the problem of low-quality production has the most crucial effect on our national economy.

Penalties have been consistently applied only in industrial organizations where they already constitute a tradition and where indicators reflecting the losses caused by low-quality production are observed (for instance, losses stemming from waste, losses from claims, and costs of guaranteed repairs). Therefore, those organizations have not encountered problems with guarantees for losses caused by low-quality production comprehensively outlined in the instructions.

For other production organizations, there is no clearcut definition of what specifically constitutes their low-quality production or operation, how to stipulate appropriate indicators, and how to quantify them in practical application. Even if proposed, such indicators have not been applied. Thus, in construction organizations, losses from low-quality production include the costs of repairs of defective construction work up to the date when the buildings or projects are delivered and accepted for occupation or operation. The losses include neither the costs of repairs after that date nor the costs of unfinished work, etc.

Superior central organs have not stipulated at all the losses stemming from low-quality production of transportation and communications organizations. In such instances it may be feasible, for example, at least to consider payments for destruction, damage and loss of transported consignments as such losses. Analogically, losses stemming from low-quality production in agricultural organizations and in organizations of forest and water economy have not been defined. Agricultural operations and forest economy represent primary production where quality depends largely on natural conditions. Nevertheless, in agricultural organizations such losses may be characterized as various damages, particularly mortality of the livestock and spoilage of products.

Imposition of penalties for low-quality production or operation in the above-mentioned organizations of nonindustrial production depends, therefore, on the determination of such losses according to a method corresponding with the specific character of their operations. This task should be entrusted to their superior central organs to be resolved in cooperation with appropriate research institutes. The argument is unacceptable that low-quality production and operations are nonexistent in such organizations and thus, that no low-quality work can be produced there.

The draft of the new legal measures assumes that the penalty for low-quality production will be extended to all organizations insofar their operations (for example, trade) also involve production, primarily in industrial undertakings (as a secondary function). Such an extension would penalize all organizations fairly. However, in all probability the penalty will have a slight effect on their overall operations.

Determination of Losses

Losses caused by low-quality production are determined so that they reflect most comprehensively all items reducing the profits of the organizations because of their low-quality production, such as price discounts, nonperformance penalties and fines, losses caused by external waste, a specific part of losses caused by internal waste, and a specific part of the costs for warranty repairs. Determination of losses is correlated with accounting in order to prove the losses. Full amount of the losses from external waste is included in losses from low-quality production because their consequences are harmful to our society and economy; by the same token, the objective here is to induce the enterprises to identify imperfect products before delivering them to consumers and to eliminate internal waste for which there is permissible allowance.

In recent years the method of determination has been further specified and rendered entirely unambiguous. It will, therefore, also be applied in the Seventh Five-Year Plan. It is presumed that the losses will be extended only by amounts paid as compensation for damages caused by improper packing, which will at least partially resolve the discrepancy between the warranty periods for deliveries of the goods and subdeliveries.

The share of losses stemming from low-quality production in outputs (without the effect of foreign trade) was introduced as the key indicator specifying the level of low-quality production. In some central branch organs other indicators were introduced in order to reduce low-quality production, such as indicators of losses caused by waste in general or in a breakdown to internal and external waste, or accepted claims and their shares in the production of goods or in gross industrial production. Those are partial indicators which include only some of the losses stemming from low-quality production. They cannot replace the comprehensive indicator of losses caused by low-quality production. Their function is only auxiliary to that indicator, particularly in the determination of the penalties for low-quality production.

Permissible Allowances for Losses

the instructions make it possible to determine permissible limits for losses caused by internal waste and to include only amounts over that permissible allowance among the losses stemming from low-quality production. The permissible limit was set for the first time in 1980 by central branch organs. In case of the VUH (economic production units), in most cases it was set disproportionately high above the level of actual losses stemming from internal waste in 1979; for that reason, that limit has not been effective as a tool to reduce losses from internal waste and in terms of its efficiency, in 1980 that measure missed its intended goal. The rationale given by central organs is the lack of reliable data for the determination of permissible allowances. It is, therefore, imperative to set that limit for the future in order to cut it down gradually as compared with the initial year of 1979.

The same method as for losses stemming from internal waste may be applied to the products of machine engineering metallurgy (castings, capacities and pressings) and the losses from low-quality production may include losses from internal and external waste above the allowance stipulated by the appropriate central branch organ. The rationale for this special arrangement is based on the premise that metallurgical technology determines the production of a certain amount of imperfect products and that its technical control cannot spot such waste before the delivery of the products.

Certain VILJ proposed that losses from external waste, or as the case may be, from low-quality production, be rated according to the same general method, i.e., that a limit be stipulated for permissible losses from low-quality production. They claim that, as a rule, a certain amount of waste must be expected in every type of mass production operating with modern technology and that all waste cannot be effectively spotted by the checkout control. This proposal, however, cannot be generally applied because it would diminish the interest of the enterprises in reducing deliveries of defective products to consumers as much as possible by exercising consistent discipline by controlling the production during various stages of its operations and at the checkout. The experience with the determination of permissible limits for internal waste has been thus far unsatisfactory and the permissible allowance extended generally to all losses from low-quality production would in fact cancel the penalties for losses from low-quality production.

For that reason, when reviewing the report on the effectiveness of the penalties imposed in 1979 for low-quality production, branch ministries were assigned the task to set for 1981 permissible limits for internal waste and for the costs of warranty repairs so as to bring them down below the level of actual losses reported in 1979. In addition, the State Planning Commission and the Federal Ministry of Finances were authorized to review and approve specific measure for products and their lines where internal waste cannot be rationally determined.

Costs of Warranty Repairs

According to the Instructions on Procedures Penalizing Low-Quality Production, losses stemming from low-quality production include the costs of warranty repairs reduced by the costs connected with the operation of planned consumer services and by the costs for extended guarantees. The objective is not to render consumer services more difficult but rather to encourage them. For the same reasons, costs for warranty repairs provided voluntarily by unilateral action in an extended period of warranty are deducted.

In order to implement the instructions, the amount drawn from the reserve may be included in the losses stemming from low-quality production instead of amounts constituting the reserve; amounts drawn from the reserve express the losses under discussion better, because as a rule more is deposited in the reserve than drawn from it.

Introduction of penalties for low-quality production prompted the organizations to manage their reserves for warranty repairs with greater caution. The problem was how to determine the amount of costs of planned consumer services. As it

appeared, the supplier and the consumer do not always sufficiently specify such amounts and thus, before their adequate stipulation they may be deducted at least temporarily from the costs of warranty repairs offered in the case of exports in the form of lump sums set by a percentage quota. Another problem involved determination of the costs for warranty repairs during extended warranty periods, because records are not always properly kept; it was, therefore, necessary to proceed from calculations.

In certain instances organizations accumulate disproportionately high savings when drawing from their reserves for warranty repairs and thus, raise their profits substantially. The reason may be in disproportionately high allocations for warranty repairs calculated in the price of goods, or overly cautious management with the reserve. In some cases, organizations have frequently acknowledged defects under the warranty without verifying the claims properly. By introducing penalties for low-quality production, the calculations of costs for warranties reflected in prices and their structure will be set on a more rational basis.

Warranty Periods

All costs of warranty repairs over the entire warranty period stipulated by the legal measure are included in losses stemming from low-quality production. The Instructions on Procedures Penalizing Low-Quality Production proceed from the warranty periods stipulated in other legal regulations (for instance, for deliveries of machine engineering and other products). The basic period of warranty for deliveries of means of production is 6 months. If the supplier himself extends that period, the costs of warranty repairs during an extended warranty period are not included in the losses from low-quality production.

The warranty period stated on the product, on its wrappings or on an attached warranty card is decisive for consumer goods designated for sale to citizens. That period must be always more than 6 months. Relatively long warranty periods for certain products (for example, 5 years) are still being quoted as problems. Manufacturers of such goods object that they are being unjustly penalized for such extensions. It is imperative to review the proportionality of such extended warranty periods and in the future to set them in such a manner that they be justified in terms of technology and economy as concerns the manufacturers as well as the consumers. The disproportionately long warranty periods cannot compensate the consumer for products of low-quality or lower technological standard.

The main problem with the implementation of the Instructions on Procedures Penalizing Low-Quality Production was that according to legal regulations in force the supplier of the final product was responsible to the consumer throughout the warranty period for defective products and that his responsibility could not be transferred to the suppliers of subdeliveries after the expiration of the warranty period for subdeliveries. If there is evidence of fault by the supplier of subdeliveries, the claim for compensation for the damages should be applied against him. Under the current regulations, organizations underutilized this option although it represents one of the methods for transferring the penalty for low-quality production to the guilty party.

In the new revision of the economic code now being drafted, the chief arbiter of the CSSR appointed by the Governmental Committee for Problems of Planned Management of National Economy to review this problem considered the feasibility of extending the limiting preclusive period for the right to claim compensation for damages stemming from faulty fulfillment after the expiration of the deadline for claims for defective goods. Furthermore, he seeks assurances that the stipulations of warranty periods for individual products be verified independently from the adaptations of penalties for low-quality production when adjusting basic conditions and that the necessary correlations between warranty periods for final products and their essential subdeliveries be guaranteed in case of specific products.

This problem may be somewhat alleviated if the suppliers voluntarily extend the basic warranty period upon request of the manufacturers and exporters of final products, if warranty periods of their products are extended by generally valid legal measures and, at the same time, if they involve them in the incentives by passing on to them an appropriate share of the incentives according to valid regulations. They may be obligated to follow such procedures by administrative measures issued by their superior ministries, which is acceptable to suppliers since the costs of warranty repairs during the voluntarily extended warranty period are not included in the losses stemming from low-quality production. Nevertheless, neither the suppliers nor their superior ministries have expressed appropriate support for that procedure.

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The experience gained in the 2 years of the implementation of the Instructions for Procedures Penalizing Low-Quality Production has shown that most economic organizations understand the objectives of the instructions and are proceeding from them when setting up and improving their systems of quality management. However, in some instances the instructions were termed unfair because allegedly they punish enterprises that are not immediately responsible for low-quality production, the reason being that in the present situation the consumer has no other choice but to process even inferior materials; nevertheless, statistical data demonstrate that suppliers of low-quality products and components have not been consistently subjected to penalties and that relevant provisions of the decree on review of supplier-consumer relations in the process of planning have not been strictly observed in every case.

9004

CSO: 2400

INCREASED ROLE OF KHOZRASCHET UNDER SET OF MEASURES VIEWED

Prague MODERNI RIZENI in Czech No 12, 1980 pp 33-37

[Article by Eng Stanislav Sourek, Federal Ministry of Finance: "Khozraschet and Finance under the Improved System of Planned Management"]

[Text] The principles governing the development of khozraschet as an important way of improving efficiency are an integral part of the "Set of Measures for Improving the Planned Management System of the National Economy after 1980." Apart from improved planning, the development of khozraschet is the second most essential way of improving management, efficiency and quality. Accordingly, the "Set of Measures" is being implemented through appropriate methodological and legal regulations, and specific measures in the area of management.

The development of khozraschet can be interpreted as the widest possible application of khozraschet principles in management and decisionmaking at all levels. As a well-rounded method of management, khozraschet is part of planned management. The basis for its development and effectiveness is the plan, particularly the five-year plan, which sets the basic tasks and above all the qualitative tasks characterizing the increase in efficiency, relations and norms within which khozraschet operates. The improvement of planning and strengthening of its long-term nature is to make khozraschet more effective. We can, therefore, speak of the unity of the plan and khozraschet in the fundamental and decisive role of the plan.

As a method of management, khozraschet is well-known in our country and has been practically used both here and in other socialist countries for a long time. The "Set of Measures," however, formulates some new principles which are to lead to further development and improvement of khozraschet. This should result in the harmonious performance of the entire system of planned management of the national economy which is the fundamental prerequisite for the development and more effective operation of khozraschet as well. Among the new basic elements which should create better conditions for further development of khozraschet, the following may be mentioned:

--it strengthens the long-term nature of the plan. The five-year plan becomes the fundamental tool;

--the plan focuses more on the qualitative aspect of the reproduction process. Apart from the basic qualitative indicators, the system of indicators of economic efficiency will be applied in every section of the plan;

--VHJ (economic production units) and enterprise responsibility for economic results is increased, and in particular this responsibility becomes more comprehensive;

--material incentives are increased and their links to efficiency and quality are strengthened;

--the active role of economic tools is enhanced, for example, in the area of finance, credits, wages and prices. Their long-term nature is underlined, while the criteria of merit and desirable differentiation between well and poorly managed VHJ khozraschet becomes the basic element of management in the enterprise sphere.

All these new elements which form the basis of the new, qualitatively higher development of khozraschet -- from VHJ khozraschet to enterprise khozraschet to intraenterprise khozraschet -- are of irreplaceable importance. In this article confined to a specific topic, we want to deal in particular with the strengthening of khozraschet responsibility and material incentives for VHJ and enterprises, development of VHJ khozraschet and the increase in the active role of finance.

In accordance with the "Set of Measures," the increased responsibility of VHJ and enterprises for economic results will be reflected particularly in the more comprehensive and long-term nature of this responsibility, in the application of economic forms of this responsibility in individual areas, especially in wages and financial management. This increase in VHJ and enterprise responsibility for economic results is combined with the greater intensity and comprehensiveness of material incentives. The comprehensive responsibility of VHJ and enterprise for the results of economic activity lies primarily in the fact that these results will also reflect (with the necessary consequences for material incentives as well) in a precisely defined though much greater scope than before--in addition to the results achieved in production and other activities, production costs and profits -- also in the results achieved in other areas such as replacement of fixed assets, in technical development, foreign trade and so on. In order to comprehensively evaluate the results achieved by VHJ and enterprises, and thus also to express their comprehensive responsibility, new basic, particularly qualitative, plan indicators will be applied (especially those of the five-year plan), such as sales structure, adjusted value added, returns on production assets, costs per Kcs of output, labor productivity expresses in adjusted value added, and so on. The principle of long-term responsibility of VHJ and enterprises for economic results achieved will be safeguarded by the overall evaluation of the implementation of basic plan tasks from the beginning of the five-year plan, to which material incentives are also linked.

The VHJ and enterprise responsibility for economic results is reinforced by various forms of economic ties between the economic results and satisfaction of needs. Of decisive importance in this respect is making wage funds dependent upon adjusted value added and returns on production assets as well as the principle that VHJ and enterprises must finance their needs primarily from their own financial resources and bank credits because the subsidies from the state budget will be substantially reduced. This khozraschet principle means that the share of the VHJ's and enterprise's own financial resources, and especially of profit, in financing their needs will increase. The importance of disposable profit will substantially increase for VHJ and enterprises.

The comprehensively conceived development of khozraschet at all levels of management of the enterprise sphere is an important element in its overall effectiveness. New in this approach primarily is the development of khozraschet in economic production units which will gradually become the basic level of management in the enterprise sphere. From this standpoint, the principles contained in the "Set of Measures" and the regulations issued for their implementation will increase VHI responsibilities, furnish them with appropriate authority and constitute the basis of VHI khozraschet. The development of VHI khozraschet is very desirable because it is necessary to strengthen VHI management as a whole and this will necessitate an integration of management in larger units and development of khozraschet in areas such as technical development, investments and foreign trade. The development of khozraschet in VHI, however, is very demanding and poses many problems. In the first place, it is not possible to develop khozraschet in VHI at the expense of khozraschet of subordinated enterprises. Enterprise khozraschet must not be weakened, but on the contrary must become, under new conditions, more effective in those areas of activity which are and will remain within the jurisdiction of enterprises such as production, production costs, profit, utilization of capital assets, predominantly the utilization of inventories and so on. Such a development of khozraschet both of VHI and within VHI must be promoted by the system of management in individual VHI according to the specific conditions which vary considerably in individual VHI. The basic rules and principles for the relations between VHI and enterprises must be formulated by the generally binding regulations in individual areas such as area of planning, financial management and so on.

Under the new conditions, it is absolutely imperative to make better use than before of intraenterprise khozraschet, and to develop more effective forms of intraenterprise management. This must create in the enterprises such conditions for greater initiative and worker participation in management that every worker will become interested in the basic tasks of increasing efficiency and quality. In the first place this means that norms of all types, calculations, intraenterprise planning and accounting must be improved and used more effectively, and that the rules for material incentives within the enterprise must be correctly formulated.

The development of khozraschet and, most of all, the increased khozraschet responsibility of VHI and enterprises for economic results brings and requires at the same time an increase in the active role of economic categories and tools which also fully apply to the financial management of VHI and enterprises. The increased importance of disposable financial resources (primarily of profit) of VHI and enterprises for financing their needs and for material incentives is one of the important ways in which the active role of finance in the system of planned management can be strengthened.

Underlying the development of khozraschet and the more active role of finance is the improvement of the plan, its more long-term nature, quality, interlinking, and so on. The implementation of all measures in the financial area aimed at the more active role of finance is motivated by the fact that financial and other economic tools contribute most to increase efficiency if they are based on a plan all of whose sections set demanding tasks for efficiency and quality.

In the implementation of the "Set of Measures," the active role of the entire financial management of VHI and enterprises is secured above all in the following main directions:

- the financial plan is improved and its active effect on efficiency is increased;
- new more active elements are applied in the production and use of financial resources of VHI and enterprises. In particular, the share of the VHI's and enterprise's own financial resources (above all, of profit) in financing of their needs is increased;
- the system of VHI and enterprise financial funds will become more effective;
- the khozraschet principles will be observed in the system of financing individual VHI and enterprise needs, and particularly in financing the replacement of capital assets;
- the role of VHI in financial management will be enhanced.

The increase in the active role of the financial plan is of key importance for the overall greater impact of finance, because the observance of efficiency criteria in drawing up the plan and all its sections is of the greatest importance. The role of both five-year and annual financial plans is great in this respect.

To increase the active role of the financial plan, the implementation of the "Set of Measures" will result in:

- improving the quality of the financial plan and tying it more firmly to other sections of the plan;
- stressing the long-term nature of the financial plan and evaluation of its fulfillment;
- modifying the system of basic indicators of the financial plan.

It is of key importance that the financial plan, together with the other sections of the plan, must represent the total calculation of VHI and enterprise economic activity, and affect other sections of the plan in direction of the resulting higher efficiency. In other words, the financial plan must not become the passive resultant of other sections of the plan. Such an approach requires a wide application of norms, standards and calculations of all kinds in drafting of the financial plan, and call for establishing close ties between the financial plan and other sections of the plan, such as the plans for production, sales, scientific-technical development, replacement of capital assets, and so on.

The key indicator of the financial plan will be the return on production assets to which the extensive area of material incentives will be directly linked. This indicator should affect not only profits and production costs, but also a better return on capital assets and inventories, a return which is unsatisfactory in most VHI and enterprises and represents an important economic reserve. The indicator of costs in Kcs per unit of output and, in the annual plan, the profit indicator will also retain their great importance in the future. The importance of production and use of VHI and enterprise financial resources will increase by strengthening the khozraschet principle of financing of VHI and enterprise needs primarily from their own funds because the subsidies from the state budget will be reduced. In comparison with the present situation, the importance of disposable (usable) profit of VHI and enterprises will thus increase.

The increased rate of "self-financing" of VHJ and enterprises while the subsidies from the state budget are reduced will also necessitate an adjustment of levies on profit and payments to the state budget. Necessary calculations will have to be made before the adjusted levies on profit paid to the state budget (on the basis of the amendment of the respective law) goes into effect on 1 January 1983. During 1981 and 1982, that is, before the rates of levies are revised by the amendment of the respective law, it is anticipated that, if needed, discounts will be granted on the levies on profit to the state budget so that the khozraschet principles of financing can be fully observed.

VHJ must use profit, in the first place, for payments to the state budget as specified, in the second place, for allocations to the funds earmarked for financing of VHJ planned needs (the so-called construction fund and turnover fund), and, in the third place, for allocation to the funds for material incentives. This principle significantly underlines the importance of achieving the highest possible level of disposable profit and its most effective use. It reflects the khozraschet responsibility of VHJ.

Closely related to the increased responsibility of and incentives for VHJ and enterprises is the more effective system of VHJ and enterprise financial funds which, in accordance with the "Set of Measures," provides for the enactment of several measures affecting virtually all funds -- particularly by establishing some new funds (development fund and foreign trade incentive fund) or making some of the already existing funds more effective (particularly cultural and social service fund and VHJ reserve fund).

Of decisive importance for effectiveness of financial funds, however, will be the emphasis on the long-term nature of planning, material incentives and financial management, the increase in responsibility for overall economic results and the increase in the importance of disposable profit for VHJ and enterprises.

The increased role of VHJ as the basic level of management in the enterprise sphere and the development of khozraschet in VHJ will also be reflected in the increased responsibility and jurisdiction of VHJ in financial management. This is true particularly of payments to the state budget, formation and use of funds as well as of the system of financing. Of decisive importance is the establishment of the system of financial management of every VHJ so that financial aspects will have to be considered both by VHJ as a whole and in individual subordinated enterprises. All general conclusions on the problems of development of khozraschet in VHJ which were discussed earlier fully apply to this instance as well.

10501
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MORE EFFICIENT MANAGEMENT THROUGH KHOZRASCHET URGED

Prague FINANCE A UVER in Czech No 1, 1981 pp 1-9

[Article by Engr Jan Cima, CSc, CSSR deputy minister of finance: "To Manage More Effectively—To Economize More Efficiently"]

[Text] The beginning of the new year is also the beginning of a new stage of economic and social development of our country which is described particularly in economic language as the start of the Seventh Five-Year Plan. Our society led by the CPCZ had already been preparing itself for a long time for successful coping with the tasks and goals which would be set for this period by the five-year plan. For this purpose, many analyses and preliminary studies were undertaken which represent an important stage for setting demanding, but at the same time realistic, tasks for the entire society that will serve as the basis for further dynamic development of socialism and life of the society under the conditions of the 1980's.

For the successful start and coping with all tasks set for this period goes to great importance all that work which was carried out in preparing materials on further improvement of the system of planned management, particularly the material that is known to our economic public as the "Set of Measures of Improving the Planned Management System of the National Economy After 1980." The basic postulated and procedures which were to become the pivot and basis of the improved system of planned management were verified by the comprehensive experiment in efficiency and quality control conducted in our country in 1978. The purpose of that experiment was to verify, on the basis of practical experience, the entire process of improving planned management both from the standpoint of the planning process (drafting of the plan, comprehensive evaluation of the entire 3-year period of 1978-1980, examination of the effectiveness of the newly introduced measures in the area of the economic mechanism) and from the technical-organizational standpoint, legal scope and so on.

Taking into account these criteria, we can say that the start of the new five-year plan was also prepared according to the plan in full knowledge and realization of those complex internal and external conditions of economic development which we must objectively anticipate in the implementation of our intentions and goals set for the period in question.

In order to be able to successfully launch the Seventh Five-Year Plan, a great deal of work had to be done on the improvement of the system of planned management after 1980. This work culminated in 1980, when the entire preparatory process resulted in issuance of appropriate regulations, guidelines and instructions which were to pave the way for the application of the "Set of Measures for Improving the Planned Management System" that was approved as an integral part of preparation of the Seventh Five-Year Plan by the CPCZ Central Committee and CCSR government at the beginning of 1980.

After its approval, many meetings of activists from the party, state, social and economic organs were organized in order to acquaint the largest possible body of officials and the economic public with the fundamental ideas of this document, with the new approaches and changes in the present procedures. The managerial personnel in the economic sphere was charged with the preparation of successful implementation of essential ideas of the "Set of Measures" under the specific conditions of management and economic organization. For this reason, our highest party and state organs paid great attention to the entire process of improving the system of planned management. The work related to the elaboration of the entire "Set of Measures" in the area of planned management is, therefore, regarded as a fundamental and very political task.

The "Set of Measures for Improving Planned Management" must be seen in continuity, as the continuous process of cognitive and creative search. While it incorporates everything that has proved successful in the past, it revises approaches, the planning process itself as well as financial and economic tools, wherever the past concepts are no longer adequate or do not correspond to the more demanding conditions of economic development in the 1980's. It is, therefore, also necessary in the demanding critical comparison to see past developments, the present, and the conditions of the future period in all mutual causal contexts. For these reasons, this stage, the results of the work done so far in the area of improving planned management of the national economy or the "Set of Measures" itself cannot be described as some new system or a new model. The report submitted by the presidium of the CPCZ Central Committee to the 15th plenary session of the CPCZ Central Committee states: "This is not a new model of management and planning, but the gradual improvement of the existing system of management in order to increase the responsibility of all levels of management, work collectives and individuals, and to make the indicators of efficiency increase and quality of labor play the decisive role. New measures are to strengthen the function of the plan, the role of the socialist state and its organs controlling the national economy; to accentuate the effect of economic tools, material and moral stimuli; to increase the jurisdiction, responsibility and level of decisionmaking of managerial personnel."

The directions in which the system of planned management is to be improved thus represents the implementation of tasks set by the 15th CPCZ Congress which called for the development and further improvement of management of the national economy so that it would more effectively promote economic development through the more consistent application of scientific and technical achievements. The 15th CPCZ Congress emphasized the increased role of the plan and more effective use of economic incentives, while following and utilizing the experience of the USSR and other socialist countries in developing the system of planned management.

With reference to these preliminary comments which were indispensable for the correct comprehension of the key ideas underlying the improvement of planned management, we must note that a change in thinking, particularly of economic workers, is the basic prerequisite for their successful implementation. In this context, Comrade Strougal stated the following very simple thesis at the statewide meeting of activists in 1980 which was convened to explain the "Set of Measures": "The first and in our opinion the most important question which is related to the translation of the 'Set of Measures' into everyday practice is the comprehension of the essence of changes including their casual contexts." By these casual contexts must be meant both the substantially more demanding conditions in relation to the outside world, but also some more difficult conditions in our own country. For these reasons, the present system of planned management and economic mechanism during the Sixth Five-Year Plan appeared to be very little effective in the implementation of the strategic party line in the area of economic policy and is still less able to cope with the even more demanding tasks which we shall face in the future.

In other words, the improvement of the planned management system of the national economy represents a continuous process of factfinding and creative search for the most rational ways of increasing the effectiveness of the system of planned management. In continuity with the past development, the elaboration of new directions laid emphasis on all aspects of planned management, balance of all areas, adequate solution of material problems and tasks of future development, intensive application of scientific and technological achievements as the reflection of awareness that successful economic development is impossible without rapid application of scientific and technological achievements. At the same time, great attention was paid to the increasing effectiveness of *khozraschet*, material incentives and responsibility, to the requirements of real *khozraschet* in contrast to merely nominal observance of *khozraschet* relations so far.

Concept and Development of *Khozraschet* Relations

The "Set of Measures" and the related regulations also affecting the very nature of *khozraschet* relations were worked out in such a way as to reflect the unity of the plan and *khozraschet*. The development of *khozraschet* relations is interpreted as the integral part of the development of the system of planned management of the national economy in which the plan is the basic tool and *khozraschet* acts on the basis of the plan, in unison with it as the method of management and planned control focusing on finding the most rational ways and means for the implementation of tasks and goals of the plan. We proceed, however, also from the assumption that *khozraschet* in turn actively affects the drafting of the plan and the entire planning process.

As already pointed out above, the improvement of the system of planned management presupposes a balanced qualitative improvement of all its individual components. The development of *khozraschet* cannot, therefore, be set off against other areas of planned management with the implication that some of them can be developed at the expense of others. Our conception of the improvement of planned management is based on the balanced qualitative improvement of all areas of planned management. We apply the fundamental criteria which are conceptually

and materially identical with or close to the approaches observed in the Soviet Union as contained in the approved Soviet document on improvement of planning and increased effect of the economic mechanism on higher production efficiency and quality of work.

Our approach to the intensification and further development of khozraschet relations is based on the principle that the consolidation and further qualitative improvement of planning must be accompanied by the further development and intensification of khozraschet relations. Our concept of intensification of khozraschet relations also proceeds from the principle that the society possesses the exclusive right to set specific tasks and goals for individual sectors or individual levels of management, while the production collectives must find the methods and means of achieving these goals as effectively as possible, that is, at minimum cost. The application of this principle naturally also implies the already mentioned aspect and important feature of the khozraschet improvement, namely, its reciprocal effect on the entire planning process including the drafting of the plan.

VHJ and Enterprise Khozraschet

The arrangement of rational relations between VHJ (economic production units) and enterprises occupies an important place in further development of khozraschet relations. As the general public already knows, the economic production unit becomes the principal unit of management in the enterprise-economic sphere beginning 1981. In regard to this, the "Set of Measures" literally states: "Khozraschet is to be developed at all levels as an integrated system of relations of cost accountability between the enterprise-economic sphere and the society and, also mutually between the individual VHJ's and enterprises, and within the VHJ's and and the enterprises. The VHJ khozraschet is to be developed as a new factor while simultaneously improving khozraschet effectiveness in the enterprises and organizations comprising the VHJ."

The above theses logically reflect the worldwide integration tendencies in the area of organizational structures which are based on the knowledge that only bigger integrated units can keep pace with worldwide development in the area of technical development, investment policy and other areas, but in return also affect this development. They are based, however, also on the findings that enterprise khozraschet cannot be weakened because it must also represent in the future an important khozraschet and basic production technical unit in which values are directly produced and workers' initiative makes itself felt. We had to pay great attention to the rational arrangement of these khozraschet relations in the working out of appropriate financial regulations which became effective on 1 January 1981.

Due to the establishment of VHJ as the basic unit of management in the enterprise economic sphere, a new term "VHJ khozraschet" was coined which covers the sum of khozraschet relations between the enterprises within the given VHJ, but also the mutual relations between VHJ and enterprises. We can, therefore, state that under VHJ khozraschet the khozraschet scope is somewhat broadened and the internal arrangement of khozraschet relations also changes.

With reference to these general remarks on the nature of development of khozraschet relations, some points of departure of both theoretical and practical nature must be noted. Khozraschet at different levels naturally has some specifics in terms of forms, directions and intensity of application of khozraschet relations. It must be pointed out that our materials on khozraschet development do not embody the principle of ministry khozraschet either as an integrated functional concept or as a form. From the theoretical and practical standpoint, we can speak only of the application of some khozraschet elements (for example, the establishment of funds at the ministry level) which naturally does not meet the requirements and all features of khozraschet, including its reciprocal effect. The application of some khozraschet methods of work, such as calculation and transfer of norms to VILJ in the area of so-called limited investments, in the area of regulation of wage funds, formulation of indicators of material incentives and so on, cannot be confounded and identified with the application of ministry khozraschet as such. Moreover, this is a very fundamental question because the organs of state administration are here involved. A similar approach in this respect is employed also in the Soviet document on the improvement of planning and economic mechanism, which in this context calls for the more consistent application of khozraschet methods in the work of ministries and its organs and so on.

The term "complete khozraschet" frequently appeared particularly on the pages of theoretical periodicals in recent years. By using the term "complete khozraschet" many authors presented their rather vague subjective views and concepts. Nobody, however, has satisfactorily explained the content and significance of the word "complete" so far. In other words, we do not know how to distinguish, both as to the content and methodology, complete khozraschet from incomplete khozraschet. Sometimes the vertical aspect of management is emphasized, namely, the wider scope of khozraschet on the enterprise level is described as the decisive factor in the move toward the completeness of khozraschet, while at other times the completeness of khozraschet is seen in its more thorough application and development on the horizontal plane. Without touching upon this controversy in this article, we must say that we regard this question as debatable at any rate; naturally, in its present form it cannot serve as the basis for the characterization of our intentions for the development and increased effectiveness of khozraschet relations. To put it simply, we do not know how to define the completeness of khozraschet--particularly in contrast to its incompleteness--either along vertical or horizontal lines, and in addition we are of the opinion that these terms are far from dealing with the essence of khozraschet and the directions in which it should be further developed. To conclude my observations on this subject, I would like to point out that we have chosen in these issues a realistic and sober approach which is logically intelligible (also from the standpoint of theory).

Both in terms of their intensity and their forms, maximum attention has been paid to the entire complex of questions and rational concept and increased effectiveness of khozraschet relations. Sometimes the explanations of khozraschet development are marked by impatience and misunderstandings, particularly when the development of khozraschet is limited to a few terse and easily intelligible

mutual contexts in responsibility or incentives. It is rather frequently overlooked that khozraschet is the method of management and planned control of the reproduction process which aims at achieving maximum efficiency and quality of work and thus also at the general efficiency of our economy; that khozraschet thus has a great variety of forms and arrangements which must be mutually interlinked if they are to help implement the planned tasks or to stimulate the search for the most economical ways of implementing these tasks. In this respect, the khozraschet relations are closely linked to all components of planned management and to the economic relations of the economic unit in question. For correct understanding of the essential question of how the khozraschet relations can be intensified, it is, therefore, not enough to cope with or to study only a selected group of economic problems. The present period calls for the examination and control of the entire reproduction process. For these reasons, the correct comprehension of all forms of khozraschet relations necessitates the mastery and examination not only of financial and economic tools, including financial planning, but also of all key aspects of the planning process from the drafting of the plan to its final evaluation, as well as of the area of labor economics and wages, pricing, foreign trade tools, the entire area of capital investment and so on. Khozraschet, therefore, it not and cannot be characterized by the effect and use of financial and economic tools only.

When we emphasize the necessity of increasing the functional effectiveness of khozraschet and its balanced effect at individual levels of management, this is, particularly at the level of VHL, enterprise and intraenterprise khozraschet, then naturally this process must be purposefully controlled, promoted and backed by necessary political and methodological assistance in order to achieve the best possible arrangement of these khozraschet relations. The detailed elaboration of appropriate regulations even more than before illustrated the necessity to delicately deal with the relations between VHL and enterprises at the same time. The legal organization of these khozraschet relations in the area of finance is based on the simple economic logic that without the support, creative initiative and active attitude of individual enterprises--which ultimately should lead to positive economic results--positive results cannot be achieved by the higher integrated unit either. At the same time, the principle must be observed that good and poor results must not be compensated for within VHL.

This undoubtedly exerted great influence on the formulation of financial legal norms. We must apply and put through a concept which will be based on the accepted principle that the VHL is the principal level of management in the economic sphere, but also on the unquestionable principle that khozraschet must be developed on the enterprise level in order to prevent the enterprise from becoming a freely manipulable unit with poorly organized khozraschet within the respective VHL. It is, therefore, imperative to elaborate and to clarify as soon as possible the nature of these relations within VHL. These relations must be precisely defined in advance in order to eliminate all potential elements of destabilization in the relations between the enterprise and VHL. It is, therefore, necessary to improve the system of planned management not only in the enterprise as a whole, but also in individual intraenterprise departments.

The correct concept of khozraschet at individual levels of management in the enterprise-economic sphere and the adequate arrangement of khozraschet relations is a complex problem both in theory and practice. On the one hand, it must take into consideration the specifics of individual sectors, types of activity and respective organizational structure, while, on the other hand, khozraschet in economic practice must be organized according to certain unifying principles. Here the rule applies that, if the center has laid down the principle to regard VILJ as the principal unit of the economic sphere, it must likewise define the nature and procedure to be followed in the implementation of this principle. We must, of course, avoid extreme tendencies—the excessive centralization of some activities and destabilization elements in relation to the enterprises within the same VILJ. The arrangement of khozraschet relations will be specific also according to the individual stages of economic development. The material incentive funds are also set up in the enterprises. In particular, the material incentive funds stress the enterprise interest in the responsibility for the quality of work. In comparison with the special-purpose funds earmarked for financing, however, the material incentive funds will be formed in a different way. Among the incentive funds, the cultural and social services fund will again somewhat differ in the structure of formation and conditions of use, for example, from the development fund.

Appropriate materials were worked out to help the organization of rational relations within VILJ and enterprises. These materials were published in HOSPODARSKE NOVINY No 46 and 47, 1980. The document entitled "The Principles of Development of VILJ and Enterprise Khozraschet Relations" deals in detail with the relations between VILJ and enterprises. It stresses the purpose and also covers the areas which, though not part of khozraschet, are indispensable for the general characterization of the economic climate for the development and organization of khozraschet relations. It is true that the nature of the given basic relations is described in the respective regulations. These regulations. These regulations, however, do not precisely define all relations. The second document, related to the first one and entitled "The Principles for Improvement of Intraenterprise Khozraschet," represents an aid for revitalizing intraenterprise khozraschet under the conditions of present and future development so that the specified methods of improving the system of planned management could be employed all the way down to the producers who should be motivated and required to assume responsibility for the implementation of tasks assigned to them. The publication of these documents appeared to be urgent because practice varied considerably and showed many ambiguities in this respect. We want to stress that the "Principles" represent a developmental process, reflect the present state of knowledge, and may be more precisely defined by the appropriate guidelines and instructions for some areas in the future. At the same time, we already assume that these "Principles" will be further creatively elaborated, that they will provide a stimulus for finding even more effective ways and methods of implementation of the strategic line of our economic policy aimed at efficiency and quality increases, and that they will thus pave the way for the really active participation of workers in management.

Principal Directions and Forms of Khosraschet Improvement

If we are to generalize all different forms and arrangements, the strengthening of Khosraschet relations has the following fundamental objectives:

- to stimulate more effective economic interest, that is to strengthen material incentives for achieving favorable economic results, and to increase the responsibility for overall economic results at the same time;
- to finance enterprise needs largely from the enterprise's own funds, including depreciation allowances, and by credit. The subsidies from the budget for capital investment projects can be planned and granted only exceptionally for selected sectors. This presupposes an increase in the disposable resources of the enterprise and a reduction of payments to the state budget in a differentiated way (approximately by 10 points);
- the positive and negative results achieved in all types of economic activity must be reflected, in a precisely defined scope, in the economic results and incentives. At the same time, the differences between properly and poorly managed units must not be obliterated or compensated.

In other words, the share of an enterprise's own funds and particularly of profit must increase. It has been specifically decreed that bank credits cannot automatically make up for lack of an enterprise's own funds. Subsidies from the state budget for capital investment projects will be granted according to the plan, but only in exceptional instances precisely defined in advance. The principles for granting investment subsidies which have been worked out specify in detail the conditions under which these subsidies can be advanced.

In this context, it is necessary to point out that the following approach has been generally adopted as the point of departure: at the present stage of the building of socialism, substantial progress cannot be achieved without increasing the interdependence between the formation and use of resources. Moreover, it was found indispensable that in order to intensify this interaction it is also necessary to increase the share of the enterprise's own disposable financial resources in financing of planned needs. This principle is reflected in the law on payments to the budget, which will become effective on 1 January 1983, with the proviso that this problem will be solved through discounts on the levies to the state budget in 1981 and 1982. In connection with this problem, I want to point out that even the future system of payments to the state budget will not be able to do without certain redistribution, if the material and value aspects of the reproduction process are to be interlinked. The redistribution, however, will be governed by even more uniform rules than at the present which will quite deliberately extend the system of levies within the enterprise economic sphere.

The increased interdependence between the formation and use of available resources as the expression of unquestionable economic logic will have to be worked out for specific conditions of individual levels of management, and will also have to be made clear from the standpoint of the nature of the planning period or stages of the planning process. By linking to this interdependence the system of material

incentives and responsibility as two quite natural aspects of khozraschet relations, and by simultaneously employing moral and political factors, as well, we will be able to more effectively emphasize a creative approach, progressiveness, real application of scientific and technical achievements in contrast to mediocrity and sometimes even pretended innovation. On this basis, it will be possible to evaluate much more accurately and frankly the degree of economic contribution and quality of work of collectives and individuals.

In this context, it is necessary to emphasize that these khozraschet relations must be and will have to be developed according to the plan: the needs must be defined in close relationship to the formation of resources anticipated by the plan. We proceed from the assumption that the planned needs must not be permitted to develop autonomously and independently of the actual trend in the formation of planned resources. The means of bringing these basic economic relations into harmony must be made part of the economic mechanism at individual levels of management, which must lead to the more effective and skillful utilization of incentives and khozraschet relations.

All these relations must be linked to the five-year plan, which under the new conditions constitutes the basis for development of khozraschet relations. The quantifications contained in the five-year plan, particularly after it has been approved, thus represent the basic values from which the khozraschet dependencies--incentives and responsibilities--will be derived during the implementation of the five-year plan. To put it simply, it is not possible to have the needs firmly fixed, while the formation of resources is regarded as a variable category. Such a systems relationships cannot apply either to society as a whole or to its individual segments.

It must be unequivocally emphasized, however, that the basic ideas underlying the "Set of Measures" and new regulations which are now put into effect in the area of financial management are not formulated or conceived so that they could be interpreted as if the economic development of the enterprise sphere would be controlled "by money." This development will be based on the plan, but also on the dialectical relationship, when the satisfaction of needs will depend (naturally in a varying way and at different intensity according to the nature of needs) on the formation of financial resources and will thus reflect the conditional interdependence between the formation and use of the respective part of the national income.

We must add that this planned harmony or its gradual implementation cannot be interpreted as dependence between total turnovers in the given economic unit. Intensive and effective material incentives for the fulfillment of the profit plan, for return on capital assets, or for compliance with other qualitative indicators, affect the overall formation of profit, although the khozraschet relationship applies only to a certain part representing material incentives or degree of responsibility.

The increased effectiveness of khozraschet is interlinked with the utilization of financial and economic tools in all areas of the system of planned management and represents a definite mutually complementary complex. It stresses the principle

of long duration which is reflected in the fact that the five-year plan becomes the basis for the development of khozraschet relations. It must take into account the so-called comprehensive evaluation of the plan fulfillment according to the level of management and tasks set for individual years of the five-year plan; it is linked to the entire system of remuneration—base wage component, incentive wage component, bonuses for the managerial personnel; it is closely related to the choice of key indicators regulating the wage trend; it is directly linked to the price area and quality of products; it covers the entire area of material incentives and responsibility for the replacement of fixed capital assets, for commodity exchange with foreign countries, and so on. The improvement of the system of planned management is so conceived as to comprehensively help the fulfillment of intentions and tasks set by the plan in the most rational way, at minimum cost. The development of khozraschet relations, therefore, assumes many forms. It lays a substantially greater emphasis on the requirement of better quality of our products and of all work, and is therefore based on the entire system of qualitative indicators, which will play a much more intensive role in the future than they did in the past.

The entire system of economic tools and rules stresses the increase in efficiency and quality as well as the greater efficiency of our economy. Remuneration as a whole and allocations to the material incentive funds will depend upon the fulfillment of these tasks. Maximum permissible allocations to the cultural and social services fund are increased to 2.4-2.8 percent of the wage fund but under much stricter conditions than before because they are linked to compliance with the qualitative indicators and structure of supplier commitments honored. We work with an entire system of qualitative indicators which represent a kind of fully integrated nerve system of the improved system of planned management. We have reached the conclusion that the effort to find a single artificial indicator is essentially hopeless. We shall have to always specify and use an entire series of indicators which most directly and most effectively affect the quality of the reproduction process as a whole.

A considerable intensification of khozraschet relations is anticipated for the entire area of replacement of capital assets. The so-called development fund is established from which so-called limited investment projects will be financed, but which will be closely linked to the construction fund. Precisely this development fund is to be the most sensitive economic mechanism which will reflect the inadequate implementation of the plan of capital investment projects which are financed from the construction fund. The development fund is closely linked to quality and results achieved in a number of additional areas.

The change in the order in which profit can be used will be of great importance in the area of financing. The allocations to the special-purpose funds, for example, must be made prior to the allocation to the material incentive fund. In other words, an economic organization must produce enough resources, if--after making payments to the state budget and replenishing special-purpose funds earmarked for financing of planned needs—it is to make allocations to the material incentive funds.

In conclusion, I want to emphasize that the gradual improvement of the system of planned management is a developmental process and therefore represents an open program, although the improvement of the system of planned management is in economic practice usually carried out in definite self-contained stages. Individual sections of the "Set of Measures" contain substantially more demanding requirements on the quality of the reproduction process and of our work in general. Some conflicts are bound to arise, but without them qualitatively new approaches cannot be employed. One of the editorials published in the organ of the CPSU Central Committee, PRAVDA (25 March 1980), fittingly noted that the "Set of Measures for Improving the Planned Management System" was no reading for relaxation by undemanding people. It added that different individuals may take different attitudes toward the "Set of Measures": they may approach it with understanding or aversion, with a clear mind as well as speculatively, with the tendency to sincerely comprehend its principles or turn their backs on it, and so on. I would like to amplify this idea: the society and the collective as a whole must always behave as rationally as possible and see the social and political function which the improvement of the system of planned management is to perform as the reflection of the requirement of the present time and of realistic evaluation of the conditions of further economic and social development of our society in the 1980's.

10501

CSO: 2400

YEAR 1981 CALLED DEMANDING FOR SSR AGRICULTURE

Bratislava ROLNICKE NOVINY in Slovak 14 Feb 81 p 3

[Article by Milan Velko: "Spring Is Knocking at the Door--To Mobilize Forces for the Approaching Battle"]

[Text] The cruel frosts are now abating and mid-February is approaching, which suggests that the time has come for intensive preparations for spring chores. After liming operations in January, our agriculturists began adding supplemental nutriment to the soil and carefully scrutinizing areas sown with winter grain crops. Stepped-up activities may be observed particularly in grain and seed storage sheds, in repair shops and in offices where schedules and plans for production in 1981 have been prepared and now political-organizational and material-technical steps are being initiated for spring tasks which are at the door.

Agricultural operations last summer were completed late in the season and the weather in the autumn was unusually rough, and consequently, it will be an extremely demanding task to meet the program for plant production. During the spring season, we must make up for the winter grain that could not be sown because of the weather. How then is the situation in our fields?

Winter rape crops are very much behind in development. Most of the winter barley has formed full offshoots; its condition is relatively good and with proper care, a good harvest is promised. Winter wheat sown before 23 December has formed good offshoots. The wheat crops sown before the rains in October in West Slovakia Kraj are developing relatively well. In general, wheat crops are quite good, but it is evident that their vegetative process has been considerably retarded. According to current estimates, about 23,000 hectares of winter crops will have to be plowed under this spring because of the winter kill.

Focus on Grain Program

As in the past, grain crops constitute at present the main line for the approach to intensified plant production. Our supreme party and state organs, particularly the 18th session of the CPCZ Central Committee, have focused precisely on them. Complex external conditions are forcing us to search for reserves first of all at home, in every kraj, okres, cooperative and state farm. Good achievements in recent years have placed us among the advanced countries. Successful achievements of the record holders and champion grain growers, most of whom are in Slovakia, should be imitated in every enterprise. It is imperative to begin to do so in the spring.

In Slovakia this year, we shall grow grain on a total of 880,000 hectares, of this, wheat on 440,000 hectares, barley on 267,000 hectares, and corn on 160,000 hectares. In addition, thousands of hectares are for rye and oat cultivation. It should be emphasized that spring barley will be a supplemental grain crop replacing the plowed-under winter crops, and if the conditions are favorable, it will make up for other winter grain that could not be sown, particularly in the East Slovakia lowlands. We need 68,000 tons of barley for seed and an additional 5,700 tons are earmarked for export to the USSR, the Polish People's Republic, the Romanian Socialist Republic, and the Hungarian People's Republic. In addition to grain seed available from the state funds, our JRD [unified agricultural cooperatives] and state farms will certainly use their own well-prepared top-quality grain for spring sowing.

We shall sow oats on 15,000 hectares, which requires 2,700 tons of seed. Relatively good supplies will be used to sow grain mixes for green fodder and later for consumption as highly nutritious fodder.

We shall cultivate corn for grain on 160,000 hectares; the target for its harvest is set at 865,000 tons. According to the plan, 120,000 hectares of corn for silage will be sown. Nearly 9,000 tons of seed will be used according to the plan and an additional 3,000 tons will be shipped to the CSR. Following the analyses made by the Ministry of Agriculture and Nutrition, preconditions for corn acreage above that stipulated in the plan are realistic, especially in the East Slovakia lowlands as well as in the inundated areas of other krajs. Because of late planting, super-early corn hybrids are being considered. At the same time, corn will replace the plowed-under winter crops, with seed corn in appropriate compositions of the FAO groups having priority. Sufficient supplies of Zeazin permit chemical treatment of entire areas with herbicides. Moreover, we have some resources for chemical treatment of grassy weeds proliferating in grain and silage corn. Granular insecticides will be applied in the soil to combat pests at the same rate as last year.

In the past, we could note major differences in the results of the potato-producing program. Under favorable weather conditions, our growers were able to produce average yields of over 20 tons of good potatoes for delivery to our population, for industrial processing and for consumption in agricultural enterprises. Last year, however, was far from successful. Not only was the harvest meager, but the potatoes were unhealthy. It is imperative for us to regain in the first year, and through the subsequent years, of the Seventh Five-Year Plan our good traditions that have been broken. Both growers and researchers and developers must prove their mettle in this respect.

Potatoes Demand Their Due

This year's plan stipulates potato production in the amount of 1.1 million tons on 70,000 hectares, of which over 43,000 tons will be early potatoes. About 86 percent of the required 168,000 tons of seed potatoes are available from the state funds. Agricultural enterprises must make up the difference of about 30,000 tons.

As inventories and continuous quality controls of seed potatoes in storage indicate, the anticipated losses amount to 15 percent because of the high incidence of diseases and mechanical damage of the tubers and because of a lack of appropriate storage for the potatoes. Nevertheless, preventive measures, control, airing and the upcoming direct treatment of the best-quality seed potatoes may prevent the future harvest of our "other bread" from repeating last year's shortages and their effect on our current supply and on preparations for the spring season.

Most enterprises are conducting regular inspection of potato storage at this time. Appropriate organizations producing and procuring early potatoes held a day of reviews and a seminar for all of Slovakia in Surany toward the end of last week, offering there valuable advice on more intensive potato cultivation in our country. Furthermore, agronomists and mechanizers will be trained in order to help upgrade the production of that crop. Aktivs for growers are planned in potato-growing okreses. In addition, the UKSUP and Slovosivo developing stations, ACHP and other organizations and enterprises will make their own contribution.

Green Light for Sugar Beets

Though their situation is less crucial than the "potato problems," certain shortcomings are evident also in the cultivation of sugar beets. Their yields differed and moreover, the 1980 sugar content was lower than in previous years. Our target this year is to produce 5 tons of sugar from every hectare of sugar beets. The plan calls for spring sowing of sugar beets over 63,000 hectares, i.e., 3,000 hectares more than last year. Seeds of Dobroviska A and of the Arimona strain from domestic resources are being prepared for the planned acreage but at the same time, seed of the highest-yielding strains will be imported. Here, too, we are planning to organize aktivs for the growers.

From the beginning to the end, our agronomists and mechanizers will face formidable tasks particularly in systematically controlling the quality of the soil treatment and planting of sugar beets. In addition, the crops will be carefully protected against weeds, and chemical pesticides will control aphids and other pests. Comprehensive care in this areas will bring further success.

Development of the Cultivation of Oleiferous and Leguminous Crops

Oil-producing crops will be cultivated on 54,600 hectares, more than 50 percent of which will be assigned to winter rape. Other vital oleiferous crops are sunflowers and poppies. It should be noted that the necessary amounts of seeds are available.

As previous achievements have shown, our preconditions for intensive cultivation of leguminous crops are quite adequate. There is a special focus in particular on string beans, lentils, peas and beans as vitally important supplements of the funds. Fulfillment of their planned production of 62,000 tons poses special demands on upgrading the standard in the cultivation of leguminous crops for our domestic consumption; for instance, we shall export 100 tons of lentils, 20 tons of peas, and 8 tons of beans. Additional resources will be used to sow mixes for green fodder and for crops cultivated in the areas of East Slovakia stricken with natural disasters.

Our Livestock Production Calls for Bulk Fodder of Better Quality

It is a categorical demand of the present time to conserve grain fodder. The recent sessions of the CPCZ Central Committee and of the CPSL Central Committee focused in particular on that demand. The direction is clear--to concentrate on the production of top quality bulk fodder crops, especially spring mixes, root crops for fodder, multiannual fodder crops and silage corn, which will be grown on more than 385,000 hectares of arable lands. More than 800,000 hectares of meadows and pastures should be added to that amount. In conversion to hay, our task is to produce 4.5 million tons of bulk fodder.

It is noteworthy that before the approaching spring tasks there will be problems with obtaining alfalfa seed because of a shortfall of more than 700 tons. Clover seed is in short supply, and the same applied to grass seed, 315 tons of which will be imported from the socialist states for spring sowing.

The production from permanent grasslands plays an important role in providing sufficient supplies of bulk fodder. The limited share of fodder produced in those areas calls for expanded cultivation of fodder crops in arable lands. Potential productivity of grasslands is quite high--it may amount to as much as twice the current yield. Production of fodder will be considerably advanced by programs according to eight planned systems to be gradually implemented in production and other enterprises.

In addition to the above-mentioned crops, vegetables and fruit call for greater concentration. After all, the target for this year's production is 500,000 tons of vegetables and 200,000 tons of fruit. Control has shown that the Semex has at its disposal seeds of most vegetables in sufficient quantities. The situation in the production of fruit trees and shrubs also seems relatively favorable.

Preparation of Technology

Despite prompt orders for spare parts, the situation has not improved over previous years. Complications have developed, particularly in repairs of the equipment for the second stage of spring tasks. The first stage of preparations may proceed according to schedule because our agriculturists will make some spare parts in their own shops and smithies. Repairs of wheel tractors are most current, but the repairs of grain sowing equipment, beet and corn sowers, fertilizer spreaders and potato planters must be stepped up.

The machine stock will be expanded with 345 new sowers for thick-sown grain, 129 sowers for domestic and imported corn, about 500 plows and other machinery which will distinctly affect the progress of the spring operations.

Before we start the work in the fields we still can "catch up" in many ways, prepare detailed plans and make up the slippage. As in the past, we shall draw again from the bottomless well of human potential whose efforts are certain to be considerably intensified during the period before the party congress.

9004

CSO: 2400

SSR STATE AGRICULTURAL ENTERPRISE PRODUCTION RESULTS IN 1980

Prague STATNI STATKY in Slovak No 1-2 Jan-Feb 81 pp 12-14

[Article by S.K.: "Results of Plant Production in State Farms in the SSR in 1980"]

[Text] The 13th session of the CPCZ Central Committee critically reviewed the decisions of the 15th CPCZ Congress and of the plenum of the CPCZ Central Committee held in October 1975, and concluded that, despite certain positive achievements, the general level of our agricultural development still fails to correspond with our potential as well as with the growing needs of our society. It further noted the continuously lagging rate of growth in our plant production. Moreover, the reserves in the cultivation and processing of bulk fodder, potatoes and sugar beets are also lagging.

We shall attempt to assess the results of our plant production over that period with regard to the demanding tasks set for our state farms for the final year of the Sixth Five-Year Plan.

It should be mentioned that the level achieved in our plant production has been markedly affected by the weather. Above all, the spring season started 2 or 3 weeks late, which led to an overlap of operations in individual periods. We may quote as an example the final stages of the grain harvest overlapping the potato harvest and other work in the autumn. By the same token, continuous rains and flooding, particularly in East Slovakia Kraj, caused delays and major material damage to cultivated crops. Winter came early and with it serious problems. And last but not least, we should mention here the shortages of certain types of tilling machinery, sowing machines, spare parts and components, especially those for harvesters. Particularly critical was the situation of combine harvesters which were not ready on time for the harvest even though grain crops had matured late. The problem became even more serious because all grain crops began maturing simultaneously particularly in West Slovakia Kraj, and to make matters worse, winter rape also matured late and at the same time as grain crops. Efficient organization of harvest operations posed unusually high demands on political and organizational work on every level of management, especially in enterprises.

In the year under discussion, the acreage of the above-mentioned sector amounted to 228,300 hectares, of which 0.5 percent was left uncultivated for a variety of reasons. The share of grain crops was 55.6 percent, of which 26.9 percent was wheat and 13.8 percent barley. Corn for grain occupied almost 0.10 percent of that area. Leguminous crops were represented with 2.5 percent, i.e., 5,640 hectares, 25 percent of which produced edible legumes.

Fodder crops were cultivated on 69,400 hectares of arable lands, i.e., on 28.6 percent of the total reported areas. The share of multiannual fodder crops was 54.3 percent, 40 percent of which was alfalfa. Corn and its mixes got the lion's share among annual crops.

The share of oleiferous crops in state farms is relatively high—4.3 percent; or 0.5 percent more than in the cooperative sector. Technological root crops were cultivated on 7,438 hectares, or 3.3 percent of the cultivated acreage. Cultivation of vegetables, 0.5 percent, and of tobacco, 0.1 percent, held lesser shares in that sector.

In 1980, the major share of grain crops in Slovakia belonged to state farms in West Slovakia Kraj with 59.5 percent; Central Slovakia Kraj shared with 58 percent, and East Slovakia Kraj with 56.4 percent. Central Slovakia Kraj led in potato cultivation with 8.2 percent, while East Slovakia Kraj was ahead in oleiferous crops, and state farms in West Slovakia Kraj, where most vegetables were produced, led in technological root crops. The sector in East Slovakia cultivated fodder crops on 29.5 percent of arable lands; it also has large areas of permanent pastures. The situation is similar in state farms of Central Slovakia where fodder crops are grown on 26.7 percent of arable lands. In West Slovakia, fodder crops grow on 28.8 percent of the acreage under cultivation, with alfalfa growing on one-third of that area, while red clover producing two crops annually and clover grass have a larger share in the other two krajs.

Although the final results of plant production for the last year of the Sixth Five-Year Plan are not yet available, we may acknowledge that the period under discussion has been one of the best in the past 5 years, although the planned objectives, especially in terms of potatoes, vegetables, corn and sugar beets, could not be fully achieved.

The policy of the party congress stipulating priority for the development of grain production continued to be enforced in our plant production, which in 1980 amounted in state farms to 405,000 tons, 62 percent of which was wheat and 29.4 percent barley. The sector had a 13.2 percent share in Slovakia's total grain production, with 0.2 percent less for wheat and 12 percent for barley, but 25 percent for rye.

The average per hectare yield of grain crops amounted to 3.86 tons, which was one-sixth below the level of the entire SSR. The yield of wheat was 4.08 tons, barley 3.77 tons, and rye 3.08 tons per hectare.

The share of state farms in our grain production was the highest in West Slovakia Kraj, namely, 216,300 tons or 53.4 percent; in Central Slovakia Kraj the share was 21.2 percent, and East Slovakia Kraj had the rest. The per hectare yields achieved follow identical trends. West Slovakia's state farms produce 5.06 tons of grain crops per hectare of the harvested area, in East Slovakia half as much due to the above-mentioned problems, and in Central Slovakia they produce 3.56 tons.

In order to satisfy the demands of our livestock producers calling for better fodder mixes, our domestic production of corn and leguminous crops must be upgraded to the required level. In the assessed year, the delayed vegetative season adversely affected the growth of corn for grain. Due to the cold weather during the months of July and August, corn lagged considerably in its development and began maturing

at the time when it should have been harvested. Some of the crops were used for silage. In the future, a certain solution may be in adapting the composition of hybrids according to their early maturation, although it is generally known that hybrids with longer vegetative periods produce higher yields. The production of corn crops amounted to 80,000 tons and their per hectare yield to more than 4 tons. State farms in West Slovakia Kraj produced 87 percent of that amount, i.e., about 5 tons of grain corn from every hectare. State farms in West Slovakia Kraj harvested 2.73 tons of legumes per hectare and raised the average for the entire kraj by 190 kg, while the other two krajs produced less than one-third of that amount per hectare. It is self-evident that this has also been reflected in total production, which amounted to almost 8,000 tons in state farms in the SSR. Although the state farms in East Slovakia cultivate an area 50 percent larger than the state farms in West Slovakia, they have only a 21.6 percent share of Slovakia's total production, while West Slovakia Kraj's share was almost two-thirds.

Despite an early promise of a good harvest, potatoes were considerably damaged by excessive precipitation and infectious diseases.

Cultivation of corn and its mixes for green fodder constitutes an important factor of our fodder base. Their average per hectare yield was more than 32 tons; almost 800,000 tons of bulk were harvested on the entire cultivated area. Production of multiannual fodder crops was up because of more abundant moisture than in preceding years, however, that failed to improve its quality but on the contrary, affected it adversely.

Despite slightly higher production of sugar beets, the volume stipulated by the annual plan could not be achieved, although at 250,000 tons it was the highest in the past 5 years. One hectare produced 33 tons of that raw material, with the state farms in West Slovakia Kraj harvesting 3 tons more than that and those in East Slovakia 5 tons less than that amount. The achievements in the cultivation of this raw material could have been even higher had the problems with seed quality and with the continuous inundation of the cultivated area been prevented, factors which in the final analysis reduced the density of individual plants in cultivated areas. Therefore, the principle was adopted that cultivations with 55,000 individual plants per hectare be harvested manually, based on the observation that automatic harvesting of crops still causes more waste than manual harvesting.

Fruit cultivation scored record achievements last year because after a long time the harvest of apricots was excellent and the production of other kinds of fruit, especially plums, was also good. However, inferior storage and processing facilities caused serious problems with their consumption.

The situation in vegetable cultivation was similar, with the difference that green peppers and other kinds of vegetables prospering in hot weather failed. Therefore, capital investment must take into consideration such conditions as those prevailing last year. We may present as an example the Slovliko cannery processing tomatoes in the Nove Zamky area where the schedule for processing the harvest of tomatoes was 65 days. However, the tomatoes ripened late in the season and the originally planned schedule had to be reduced by 50 percent and much of that raw material had to be shipped to Znojmo or to East Slovakia.

Experience has shown that major reserves and potential for the growth of production hinges on overcoming the differences between enterprises operating under similar conditions.

Although last year the harvest of grain crops was very good, conspicuous differences in individual areas of production of the state farms in the SSR should be underscored. Thus, the wheat produced per hectare in the corn-growing area where 23 state farms are operating amounted on the average to 4.72 tons, but four state farms in the same area reported only 2.68 tons; however, 14 state farms harvested over 5 tons per hectare, thus bringing the average to 5.85 tons. The shortfall in the former group of farms behind the all-Slovakia average represents over 16,000 tons of wheat. Half of the 16 state farms operating in mountain areas report an average yield of 2.34 tons of that crop, but 1 farm harvested 4.40 tons per hectare on a 500-hectare area, and 5 state farms reported 50 percent more. If the per hectare yield of the former group of state farms could be balanced with the standard of the latter group, almost 420 additional wagonloads of wheat would be produced.

Nevertheless, it must be admitted that the above-mentioned differences are evident in all crops, including barley. The most extensive reserves in the sector under discussion appear in the corn- and beet-growing areas. Last year's experience is proof of this assertion. In the corn-growing area two state farms produced a per hectare yield of only 2.05 tons each, and two others 2.58 tons each, although the average for that whole area was 4.5 tons. On the basis of the above data, it may be concluded that the shortfall in those four state farms cut down our barley production by 344 wagons; at the current rate of grain consumed in fattening stations for every kg increase in the weight of hogs, this represents more than 107 wagons of pork.

The same potential applies for higher production of potatoes. Thus, last year 4 of the 16 state farms in the mountainous area harvested 9.10 tons per hectare (i.e., one-third below the average), and 8 state farms 1.25 tons less. The lower yields of these two groups represent a loss of 13,000 tons of potatoes as compared with the average.

An analogical situation appears in the production of sugar beets grown mostly in the corn-producing area where 21 state farms operate and each of them harvest on the average 33 tons of beets per hectare. An average yield of 27.3 tons per hectare was reported by eight state farms, and thus, in relation to their cultivation area, they lagged behind the all-Slovakia average by 17.6 percent, which in absolute terms represents 11,600 tons of sugar beets as a technological raw material.

Even more conspicuous differentiations are evident from a comparison of the lagging state farms with the most advanced state farms. Considerable differences appear in every production area and in most cultivated crops. In addition to the above-mentioned wheat, sugar beets should be mentioned here. During the period under discussion, four state farms in the largest corn-growing area produced more than 42 tons per hectare of their cultivated area. If the 17 state farms lagging behind were to reach the same level, nearly 34,000 additional tons of sugar beets would be produced. In our opinion that amount is not negligible in the production of sugar, whose price is rising again in world markets.

It may be said in conclusion that despite certain improvements in the final year of the past five-year plan our plant production failed to reach its full development. Under current conditions, successful progress of our plant production will be determined by our agronomic services in terms of the selection of strains or hybrids, application of nutrients and protective agents as well as other agrotechnical measures vitally affecting the results of the year-long efforts of the workers in our state farms.

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EXPORT OF TURN KEY PROJECTS DISCUSSED

Prague HOSPODARSKE NOVINY in Czech 13 Feb 81 pp 8-9

[Interview with Zdenek Kuchler and Leopold Trdy; date and place not given]

[Text] Turn-key projects are a completely independent category of Czechoslovak engineering exports. It is becoming more and more evident that all of our attention must be focused on developing their production and export if we wish to assure future growth in the pace of engineering exports. Obviously, there are many problems associated with this. Turn-key projects are among the most complex and demanding types of engineering production and exports. The assurance of the high technical sophistication of individual components, flexible organization in providing supplementary deliveries, the organization of the assembly and startup procedures for such projects within the deadlines and cost conditions of competitors are all especially important tasks for both production and trade. Supplier-consumer relations and the fulfillment of the function of main contractor are no less important, in view of the many which go to make up export deliveries. We discussed these problems and problems connected with the export of turn-key projects with Zdenek Kuchler, director of Trade Group I--Energy of the Skodaexport foreign trade organization, and Leopold Trdy, director of the Prague Electric Power Plant Construction factory of the Pilsen Skoda concern enterprise.

[Question] One of the production programs of the Skoda concern is the production of energy-related equipment, which you also export. What sorts of deliveries are you especially interested in, and where is their export oriented?

L. Trdy: Our interest is distributed almost evenly and it is impossible to say that we are involved exclusively in a particular type of energy equipment. Obviously, units of larger capacity are in the forefront of our attention, given the development of energy engineering and the energy industry in general, but in spite of this we still have an interest in smaller capacity units of 60 to 200 megawatts. I must point out that the Skoda concern also includes the First Brno plant, which likewise performs the function of chief contractor. Our sphere of activity is divided between us. The First Brno plant delivers equipment for power plants of up to 60 megawatt capacity, and the Electric Power Plant Construction factory handles those of more than 60 megawatt capacity.

2. Kuchler: Customers from throughout the world understandably request equipment which corresponds to their specific conditions. Skodaexport, in cooperation with the Skoda concern provides deliveries of boilers which burn either coal or mazut, condensational, heating-plant, and industrial turbines, as well as special-use turbines, which we export to various territories according to the individual wishes of our customers.

[Question] In the introductory remarks here it was mentioned that the Electric Power Plant Construction factory performs the function of chief contractor in the export of Czechoslovak energy equipment. Supplier-consumer relations are directly connected to this. How do you resolve them?

L. Trdy: There are two parts to that question. First there are supplier-consumer relations with the foreign trade enterprise. There is a single resolution: we negotiate together deliveries with the foreign customer, on the basis of which we conclude an economic agreement. On behalf of our factory, I can state that we have not the slightest problems with the foreign trade enterprise. Regarding the second part, we act more as a buyer than as a supplier. We are a supplier once, but we act as a buyer 13 or 15 times in dealings with our final subcontractors. We resolve supplier-consumer relations similarly with them, but in a much more complex and difficult manner. In a number of cases, we must deal with the fact that they offer us goods over longer periods than those necessary for the assurance of a foreign contract. In many other cases, they are not able to offer us the required product mix, so we are compelled to look for suppliers even outside of the republic. The whole issue of relations with subcontractors is the more complicated because obtaining a foreign market and concluding a contract is not only a question of volume, price, and quality, but also of time.

And we, as the chief contractor, are many times in the position of having to sign a contract with the foreign trade enterprise due to time constraints, and they a contract with the foreign customer even before we have signed contracts with our subcontractors. It is then exceedingly complex to coordinate the subcontractors in such a way that they are able to meet all the commitments which we have undertaken within the framework of the foreign contract.

[Question] You have criticized final suppliers, and you said that they do not always respect your deadline requirements or requirements for equipment complexity. Can you say which suppliers are involved?

L. Trdy: I did not so much criticize as simply state that this is the situation. It relates to practically all our subcontractors and many times to us, the Skoda concern enterprise, as well. It is not that we have not established positive interpersonal relations, that there are not good intentions. But there are in this area certain capacity disproportions which many times have their beginning in material outputs and their delivery schedules. And these are the basis of overall delivery schedules.

Today it is the rule, and I have in mind here the past 3 to 5 years, that a foreign customer will want to make a unit operational 32 to 36 months after signing the contract. At the same time it is normal for our producers to quote for us delivery schedules of 40 months and more. And this is true of practically all Czechoslovak subcontractors.

2. Kuchler: This is a constantly discussed problem which relates to our cooperation with the Electric Power Plant Construction Factory. The export of energy-related turn-key projects is a special activity on which both sides have cooperated for a long time and both know that the one cannot fulfill such projects without the other. Understandably, we have divided the tasks involved, and Skodaexport, in this area, asserts the requirements of the consumer on our suppliers. We exert pressure so that not only the chief contractor, but also the individual subcontracting enterprises, such as the Pilsen Turbine Factory and Doudlevec Electrotechnical Factories, the Tlmac Slovak Energy Engineering Works, the First Brno plant, and a number of other subcontractors within the Skoda concern and independent of it as well, adapt themselves to the requirements of the foreign partners. Matters lead to definite conflicts among us, but I think such conflicts are proper and serve the matter at hand, and they are always resolved within the context of individual cases.

Regarding supplier difficulties, I would be a little more specific. Personally, it bothers me that recently we have had more and more often to assure the completion of energy turn-key projects with imports from capitalist countries. I do not want to speak of the objective difficulties faced by individual production factories. That is certainly not a concern of the foreign trade enterprise. We want to export the greatest possible amount of Czechoslovak equipment, but we have not had recently, for instance, pumps, especially feeding pumps. The supplier enterprise, the manufacturer Lutín Sigma, presents its reasons, but the fact of the matter is that we must buy pumps from the capitalist countries. We do not have heavy-duty electric motors. As soon as we need a motor of greater than 500 kilowatt capacity, we have to import it. We do not have chemical water-treatment facilities. That is the responsibility of Prague Dukla, which is not up to the task of completing equipment with its products, which are of high quality, due to its overloaded production program.

We have a general shortage of electrical equipment. The final supplier for the Electric Power Plant Construction Factory are the Prague Electrical Assembly Factories, which manufacture equipment from the deliveries of numerous factories throughout Czechoslovakia. The result, then, is the reality, that while earlier we had to provide, let us say, 10 percent of an electric power plant from imports, today, in order to fulfill delivery schedules we are providing 25, 30, 40 percent and more of the equipment from abroad, depending on the purpose of the order and the precision of the conditions for carrying out and adhering to delivery schedules set by the customer.

L. Trdy: Since Comrade Director Kuchler has decided to be more specific, I would also like to add that we have problems in obtaining insulation, insulational materials, which is a responsibility of the Prague Construction Insulation enterprise. We have problems in assuring deliveries of pipe on schedule from Modrany Sigma, and difficulties with deliveries of steam generators from the Tlmac Slovak Energy Engineering Works, which itself always requests imports to complete projects, even though it may only be a matter of boiler vessels, ventilators, air technology, and other equipment. And I could treat all electric power plant equipment in this way, because in all areas in recent years requests have been increasing for either imports, or imports to complete the outfitting of a project. I avoided the subject in the first part of the answer, because I cannot omit a single supplier.

[Question] From what you have said, one may draw the conclusion that we are not up to meeting the requirements of customers regarding the quality and technical sophistication of exported energy turn-key projects. What then is the reality?

Z. Kuchler: If we were not up to it, then customers would not purchase the equipment from us. World competition is very sharp today. There is a very strong interest by all firms from capitalist and socialist countries in delivering energy equipment, and this also dictates the sharpness of the competition. We are certainly monitoring the situation of other world firms in this area. All of them, even though they try to deliver quality products, at times must contend with shortcomings in their equipment. When you consider that an electric power plant with a capacity of 2 times 165 megawatts represents 30,000 tons of equipment it is understandable that there may be a defect in this quantity of machinery.

The Electric Power Plant Construction Factory, which is the general designer and contractor, pays attention during the equipment selection and design process to the upholding of relevant quality not only of the individual machines, but of the overall energy facility. It chooses equipment which in the aggregate provides the projected parameters for heat consumption, efficiency, etc. Yes, remarks are being discussed that the level of our equipment does not meet the world standard represented by, for instance the American firm General Electric or the Swiss firm Brown-Boveri. However, this has not been a reason for us to fail to penetrate a market.

L. Trdy: We are able to sell equipment that is of relatively high quality. However we are still lacking a system that would enable us to control this quality. We do not have instruments which could enable us to manage our subcontractors efficiently.

At this time, a reliability information system has been established in the energy sector solely for domestic classical energy sources, but does not as yet exist for foreign deliveries. We have been trying to overcome this obstacle. We have attempted to do this through conferences at scientific-technical societies, and we have considered other methods. But all of this is only improvisation, a substitute for a nonexistent system of quality control.

[Question] Could you be more precise?

L. Trdy: Certainly, it is possible to make this more concrete. For instance, we are irked by a case which is already behind us. But it was, and is, a classic example. It was a matter of deliveries of cooling pumps from the Blansko Ceskomoravská-Kolben-Danek with improper bearings which "acted up" in Pakistan, Bangladesh, Detmarovice, Tusimice, and at the nuclear power plants at Jaslovské Bohunice. In other words, constantly, and all over the place, over a number of years. This did not discourage the customer. But we had to make huge travel expenditures, because people had to travel, disassemble, repair, and then disassemble again. This of course strains the patience of the customer, who could one day say "We don't want this equipment from you the next time."

On the other hand, we have been able to realize a number of measures for increasing quality. For example, we have succeeded in introducing at the Skoda works a new system for the ultrasound inspection of turbine bearing linings. Today it is so often used that it has the character of an enterprise standard, while such a standard does not exist elsewhere in Czechoslovakia. The FRG, for instance, has such a standard.

Z. Kuchler: I would just like to add that quality is a very basic issue. I hope that our common answer has not sounded as though everything is in order. As exporters, we are always dissatisfied and request that our suppliers pay constant attention to increasing technical sophistication. Our remarks, especially regarding boiler and turbine efficiency, have reached the agendas of technical discussions and the tasks of technical development, and recently have begun to yield concrete results. Understandably, a customer will calculate, using very simple mathematics, how much coal or mazut he will have to put into the unit to get 1,000 kilowatts of electricity. He has a simple scale. If our equipment is less efficient, he must transport more fuel over the 10 to 20 years of operation, and this will cost him more, particularly given the current constantly rising prices. He is concerned, then, with the greatest possible long-term operational efficiency. We, therefore, want the Skoda concern to utilize the latest findings in the research, development, and construction of steam boilers, turbines, and generators.

[Question] And what about our measuring and regulational technology? Is it capable of competing?

L. Trdy: At present, we are lacking an adequate standard of comparison. Exports of our regulational and measuring technology to nonsocialist countries has been only sporadic. I am convinced that regarding technical sophistication the equipment of the supplier organization, i.e., the Prague Industrial Automatic Factories, is capable of competing.

There are, however, additional considerations here, which limit the ability to compete. Many buyers, whether those from small consumers or buyers for energy turn-key projects, demand that the delivery have not only technical sophistication, and meet all the operational parameters, but also require that it have the right "references." I have in mind by this that the buyer in a market with several electrotechnical products naturally gravitates to world trademarks. Even I, that is, if I were to go to buy a radio receiver and could choose, would pick a Phillips receiver, and not one from Tesla, even though we might be talking about qualitatively equal products.

This is a great handicap for the Industrial Automation Factories, because our customers, especially in the nonsocialist countries, customarily, even when inviting bids, set a requirement that the measuring and regulational technology be from Siemens, Hartmann-Braun or similar, comparable firms.

Z. Kuchler: There are cases when in the delivery of large units the customer would accept our measuring and regulation technology, but we come to grief on the fact that the Industrial Automation Factories are not capable of delivering the equipment under the requisite deadlines.

[Question] Then it is not only the proper references, quality, and technical sophistication, but also, as you have already noted several times, delivery schedules which play a significant role in the question of prestige and the maintenance of a position won in a given market. You have stated that you have problems with suppliers who do not adhere to established deadlines. This, however, clearly does not interest the foreign customer. How do you deal with this?

Z. Kuchler: It is difficult. Delivery schedules are among the greatest problems in the export of our energy turn-key projects, and it would be truly obscuring matters if we were not to say that this causes great difficulties for us and influences our relations with foreign customers. The world wide delivery schedule for units of about 150 megawatts currently varies between 30 and 33 months. It is only with great difficulty and under extraordinary conditions that we can come to terms with this. Concretely speaking, in order to meet this schedule we have to purchase abroad that part of the equipment with which there are the greatest delivery schedule problems.

The issue of delivery schedules is, however, a complex of problems which begin at the design stage. Maybe I will be getting into a discussion on this with Director Trdy, but if we promise a foreign customer that we will present a design after 18 months, then how can we construct and make operational a power plant in 30 months? This is one of the ongoing internal differences between us and the Electric Power Plant Construction Factory of the Skoda concern enterprise. It is my view that the design division should look for ways to shorten their work time. We should move away from the classic and long-practiced system of the two-step design process, and initiate a single-step system. To be clearer, let me explain that design is divided into two stages. For about 6 months from the signing of the contract the designers develop the so-called first-step design, which outlines the concept of the power station. After its approval they move to the second, detailed elaboration, and it is on the basis of this that the individual suppliers determine the design, construction, and even production requirements for their own facilities.

In this country almost every design is developed as a new one. This is not right. Certain subsystems or even whole designs could be repeated. I do not know of instances with our large competitors when they have done such detailed designs as ours. They achieve a maximum shortening of the delivery schedule by using a single-step design, while we persist in two-step designing. This means that equipment which must be ordered from Czechoslovak manufacturers is specified at a late date, and some of these manufacturers are not capable of meeting the delivery schedule, according to the system now in place in Czechoslovakia.

L. Trdy: First on the issue of design; it must be emphasized that the supplier-customer relations between the chief contractor and the foreign trade enterprise, and between subcontractors, i.e., the final suppliers and the chief contractor are domestic relations and are administered by domestic regulations. Design work has been defined by Decree No 163 of 1973 and there it is unambiguously established how design work is to proceed. Clear prices, in domestic terms, have also been established for design work. The one stems from the other. Each supplier has established regulations for the means of designing and design costs and must adhere to them, because otherwise it would be in violation of domestic regulations.

This method is no longer appropriate today for either the foreign or the domestic energy industry. It is necessary to do something new. However, what to do and how to do it are in themselves very complicated problems, especially in the foreign sector. In the introduction, I stated that foreign deliveries are extremely varied. For this reason, it is not possible to start completely from standard designs. It is necessary to design on a case-by-case basis, and a two-step design process is highly suitable for this. In cases where we are "custom-tailoring" a project, we cannot get along without this approach. The question is the degree to which the

first and second steps must be elaborated and the degree to which these two design steps can be integrated to achieve time savings.

I cannot say that the design issue is the sole problem. There is another matter as well, namely, the supply deadlines. No one is going to deliver an electric motor to us, or to any final supplier, unless they have received an order during the delivery time established by economic regulations. For practical purposes, this means that 6 months to a year before the desired delivery, the motor must be ordered. And we have a delivery schedule of 32 months. Some of this time is taken up by design, on the basis of which we determine the type of motor we require, and then this motor must be ordered a year prior to its scheduled delivery. In other words, the delivery of the motor, in and of itself, requires for practical purposes 2 years. Moreover we need about 18 months for assembly, and a certain amount of time for transport.

I want to emphasize by this that we are not only dealing with design. We must shorten the schedules for design, submission of orders, delivery deadlines, and production. All activities are then, practically speaking, on a critical path regarding time.

Z. Kuchler: Our designers are certainly no worse than those of Western firms or firms in socialist countries. But 18 months is an abnormally long time. It is possible that this is an organizational matter, and possible that material incentives could be employed. But ways must be sought to shorten the design phase.

I would just like to summarize this. We are constantly speaking about the importance of exports, but as yet we have done only very little for them. The significance of exports for the republic is without doubt, but in practice we do not see any great level of support, any moves to give them a higher priority. Foreign firms quote 32 months. In order to compete, we quote this as well, but at the cost of immense difficulties. It is, therefore, essential that the responsible organs and organizations emphasize, through their actions, the significance of foreign trade and assist this sector to realize its export objectives in the production area.

[Question] How, in these complex production and contracting relations, do you assure postsale service and repairs for the delivered facilities?

Z. Kuchler: All world firms pay attention to postsale service. On the basis of measures implemented in the Skoda concern, the situation on this area has improved in recent years. We still, however, have the greatest problems in the acquisition of spare parts, for which delivery schedules exceed all acceptable limits, and fluctuate from 24 to 50 months, which, understandably, no foreign customer can tolerate.

L. Trdy: We cannot accept the whole service burden in the way that we accepted the responsibility of the chief contractor; that is, we cannot assure maintenance services for all producers of energy equipment. The capacity of our factory, and of the Skoda concern enterprise are not up to this. We are not able to obtain from our subcontractors the spare parts and service work for all of their deliveries. They even tell us on occasion after the guarantee period has expired, "We won't deliver this or that part to you because we don't produce it ourselves and we are not about to act as a supplier for a foreign customer."

In other words, these final suppliers have not yet established the necessary breadth of maintenance services, but the Skoda works cannot assure every thermometer, every individual, minute subcomponent. There is, you see, such a wide assortment of products and equipment that it is impossible to assure them without a large number of suppliers. There is also a lack of an efficient system for managing maintenance services. The chief contractor does not have the leverage or the instruments to compel the subcontractors to establish maintenance services similar to those the Skoda works has for engine rooms.

[Question] Do you participate in foreign markets as the main contractor of all the equipment for a given energy turn-key project, or do you also cooperate with world firms--and why?

L. Trdy: We participate as the chief contractor and, in a number of cases, as part of an international consortium. In other instances, foreign partners are the main contractors and we participate as one of the members of the consortium, of course through Skoda export. Both forms are, then, normal.

Z. Kuchler: I would like to add to this that conditions and various contingencies compell us to cooperation in participating with world firms in foreign markets. World market conditions are becoming more and more complicated. When we combine there with the domestic problems that we have mentioned, it makes sense, in some cases, for us to create international groupings, consortia, and to assure deliveries as a part of one of these. As consortium leader, for instance, we have seen to the construction of the SOMA I power plant in Turkey, and we will proceed according to the same system in the construction of SOMA II.

I would like to mention why we have been compelled to turn to these forms of international cooperation. We do not produce, for instance, large coal mills; therefore we acquire the whole milling unit and the connected combustion system from abroad. Similarly, we are not capable of assuring Czechoslovak electrotechnical equipment, including measurement and regulational instruments, within the delivery schedules requested by consumers. We must purchase them, and when their volume exceeds a certain percentage share of deliveries we accept "into the game" the supplier of the electrotechnical equipment, measurement and regulation instruments as a consortium partner.

Sometimes, in order to adapt to the wishes of the consumer, we also deliver, for instance, the turbines and generators, and another supplier the boilers or vice versa. This has been the case, for instance, with a large steam power plant in Yugoslavia. Czechoslovakia is supplying the boiler equipment, and Poland the engine room and everything else.

The truth is that on such large turn-key projects as those related to energy we cannot get along without cooperation. No firm can supply, by itself, all of the equipment, and thus must cooperate with a number of other firms. For instance, the production of boiler equipment for export is concentrated at the concern enterprise in Tlmac, which has already been cooperating for a number of years with the West German firm, Babcock, in Oberhausen.

[Question] How has this cooperation worked out for you, and what has it contributed to?

Z. Kuchler: It has worked out. It is helping us to participate to some extent in certain projects. In particular, we can participate in world competitions in which a customer will write a so-called tender, and we participate along with a number of competing firms. Of course, we see to it that our bid is at the level of the competition from a commercial and technical standpoint and with regard to delivery schedules, we join, as I have already said, with a number of foreign firms and offer deliveries to this consortium. We have participated successfully and won several projects bid in this manner.

[Question] One cannot overlook the fact that the production program of the Skoda concern today includes both the production of equipment for fossile fuel power plants and for nuclear plants. What are the possibilities for exporting the latter.

L. Trdy: The era of classical power plants has far from ended. Czechoslovakia has 60 to 65 million tons of energy coal in its mining program, coal which will continue to be mined for a number of decades. This fuel, naturally, will not be burned in anything but a power plant for fossil fuels. There will, of course, be a shift from the purely condensational power plants of today to the construction of facilities which will comprehensively utilize primary energy. It is quite certain that units are possible for the delivery of semipeak energy. These are facilities which hold up, without equipment problems, under as many as two daily shutdowns and startups which are at the same time capable of reaching full output in a very short time.

Since today we have an installed capacity of 12,000 to 15,000 megawatts in thermal power plants, we will have to maintain them in operation for a few decades still. Moreover, service and repair must be assured for them. We will, then, require roughly the same capacity for the production of energy equipment for classical power plants as we have required in the past, with a small change in the mix. Regarding the foreign sector, the great majority of developing countries will begin with classical energy sources, because they have not yet touched their sources of fossil fuels, and it would not be sensible for them to build a nuclear energy capacity immediately, particularly since they have not yet constructed an energy system, nor do they have a prepared industrial proletariat. There can be no doubt, therefore, that classical energy will still be a decisive component in assuring the energy requirements of mankind for at least 30, and perhaps for 50 years. Nuclear energy will continue to produce only a part of total energy. This percentage will, of course, vary with the industrial potential of the country and its resources of fossil fuels and hydroenergy.

Z. Kuchler: Even though the importance of nuclear energy has recently been increasing, one cannot say that we have finished in Czechoslovakia with the construction of fossil fuel power plants. The production of equipment for nuclear energy is very complicated and only countries with a mature engineering base will be able to develop it in the future. For this reason, there have been agreements within the CEMA concerning the specialization of production of this equipment in which Czechoslovakia is, understandably, participating. All of this cooperation is based on Soviet experiences and on Soviet types of nuclear power plants and equipment.

Regarding exports, we export certain units and equipment for nuclear power plants which we produce within the framework of specialization, to CEMA countries, which are turning to an increase in the production of nuclear energy one after the other. We are also researching the potential for exporting to developed or to developing countries. These efforts are, however, still in the research stage, but there are future possibilities in this area.

L. Trdy: The export of nuclear power plant equipment is not at present a typical example of foreign trade. It is being developed on the basis of multilateral co-operation within the CEMA. That is, it is managed in no way by free supply and demand and competitive conflict, but according to a plan and on the basis of co-operation between the CEMA countries. It has, in other words, a totally unique character. Multilateral, intergovernment agreements establish precisely the division of labor and specialization, and determine what each country will supply. Czechoslovakia supplies the most important component--the reactor equipment, and other equipment as well.

[Question] The world economy is entering a stage of structural changes. This will undoubtedly place great demands on our ability to react rapidly. What, in your opinion, will play the most important role in this area so that we can maintain our position in foreign markets in the exporting of energy turn-key projects and be able to meet the competition?

Z. Eulichler: In order to keep pace, we must focus on a few problems. Above all, there must be the total support of foreign trade from the proper Czechoslovak agencies. In addition, there must be a constant improvement in the technical sophistication of our equipment, a shortening of delivery schedules, a reduction in requests for parts needed for completion and an increase in the Czechoslovak share in, and therefore the efficiency of, commercial projects. Finally, we must devote greater attention to deliveries of spare parts and see to it that they are considered a part of the export of energy equipment.

L. Trdy: I want to emphasize that the development of foreign trade in energy turn-key projects and the development of the Czechoslovak energy base must be understood as well as the development of energy engineering. Unfortunately, we do not always recognize this in our republic. We cannot export world-class equipment and deliver large turn-key projects before we have established a technical base. We cannot produce 1,000-megawatt units if the cranes at the factory cannot lift the necessary components, which quite naturally weigh more and more as they increase in size, or if we are not capable of transporting them by rail or on the roads, or if the foundries and forging shops are incapable of supplying castings or forged pieces of the requisite quality and dimensions. In other words, the development of foreign trade must be understood as the development of the entire national economy and, insofar as we consider the exporting of energy equipment and facilities, truly of the energy engineering sector.

ENGINEERING INDUSTRY PUSH FOR QUALITY, EFFICIENCY CONTINUES

Prague HOSPODARSKE NOVINY in Czech 6 Feb 81 p 6

[Article by Zdenek Skoda: "The End Crowns the Project"]

[Text] As a followup to the lead article "We Need Concrete Actions" in HOSPODARSKE NOVINY (No 30/1980) on 25 July 1980, which contained specific disclosures of shortcomings in the activities of enterprises in the general engineering sector and reminders of the responsibility for providing quality deliveries and services for domestic users and for export, we requested statements from the Federal Ministry of General Engineering, in the person of Comrade Frantisek Prochazka, manager of the press and public relations division.

The positions of individual sections were formulated this fall, and delivered to our editorial offices on 9 October. After editorial treatment, they received authorization on 17 December. In the meantime, time and development knowledge have progressed. The share of national income produced by this sector did not achieve the expected growth rate (see the article by Minister Leopold Ler in HOSPODARSKE NOVINY on 1 January 1981--among the reasons cited is the low level of flexibility of concrete management in its adaptation to changes in the domestic and international environment). Contributions from the export of the products of the general engineering sector did not keep pace with the increase in the prices that we must pay for imported raw materials.

The production division reacted in the following manner to those passages in which the author mentioned the assurance of components and certain parts:

Production depends to a large extent on the number of subcontractors from the viewpoint of fulfilling volumetric, as well as product mix, quality, and economic indicators. For instance, a single completed automobile or tractor has several hundred suppliers. The potential for importing suitable components is at the same time limited. And inasmuch as one is usually talking about mass production, there

are great demands on technical equipment. Changes and innovation require new assembly lines, special purpose machinery, special tools and jigs for machining, stamping, forging, casting, welding, assembly, inspection, maintenance services, etc., for millions of units.

So far, the critical indicator of the fulfillment of production targets--the overall koruna volume of goods produced--has been most easily met with final products than with separate components requiring significantly more labor input per koruna of goods. For this reason, as soon as unfavorable influences became evident, mainly shortages of forgings, castings, raw materials, limits on energy use, labor shortages, operational disruptions, etc., the production and delivery of spare parts was the first to be curtailed in a majority of instances. The consistent application of management instruments which will be in effect in the Seventh Five-Year Plan should result in a change in the relevance of established priorities.

The greatly increasing requests for spare parts from repair organizations, especially for the general repair of vehicles, are a fundamental factor in this situation. In a number of instances, it is even impossible to determine how much general repair is conducted, because general repairs are not entered in the technical certificate. From the development of the conditions of trucks and buses when examined, and given an estimated 20 percent increase of transport in the past five-year plan, it follows that the amount of domestic deliveries in 1978 made possible, given improved loading policies, the retirement of 6.8 percent of the vehicles, or 18,231 units. In reality, however, only 980 vehicles were retired on the basis of Decree No 28 of the Federal Ministry of Transportation and the Federal Ministry of General Engineering. This also indicates why there is such an interest in spare parts.

The Ministry of Transportation is preparing a decree concerning the introduction of required vehicle maintenance. The responsibility will again be introduced of adhering to the procedures' guidelines for operational vehicles. In this regard, it is necessary to point out that the CEMA Permanent Engineering Commission has adopted a recommendation for a single general vehicle overhaul. This recommendation is being implemented in part, for buses in the People's Republic of Hungary. In the CSSR, the CEMA recommendation may be fully accepted for vehicles under 3 tons, for which adequate fleet replacement with AVIA type vehicles has been assured.

Increasing the useful life of components, as the previous article emphasized, along with making required vehicle maintenance law, the construction of rebuilding centers, and the development of standards for the consumption of spare parts from the TATRA and LIAZ national enterprises represent one of the basic solutions to this problem.

There is also an unfavorable situation in parts for imported vehicles which is influenced both by insufficient producer capacity, and in some instances foreign-trade problems (the development of a balance, the allocation of foreign-currency resources).

On the basis of CSSR government presidium Resolution No 9 of 17 January 1980, a comprehensive set of measures has been formulated for resolving the assurance of the automobile-repair situation which will create a feasible precondition for moderating the existing disproportion.

The situation in deliveries of spare parts for refrigerators was resolved during 1979. At the present time, Kovosluzba national enterprise, which performs refrigerator service, has no complaints regarding deliveries of spare parts from Zlate Moravce Caltex national enterprise.

Regarding the assurance of spare parts for automatic washers, there were shortages in deliveries of seals for the loading opening and of controls during 1979 and at the beginning of 1980, which were mostly caused by the nonfulfillment of contracts by the Federated Socialist Republic of Yugoslavia. In mid-1980 Poprad Tatromat national enterprise assured its deliveries and at present the service organization has an adequate supply of these parts.

The technical development section accepts the criticism. It is a matter of quality control. The comprehensiveness requirement, extended also to supplier organizations from other sectors, is fully applicable here.

Steps have already been taken toward a solution. For instance, in order to monitor the results of technical development, the proposed production plan for the Seventh Five-Year Plan provides for an increase in the volume of first-quality goods and of goods certified as technically advanced as one of the most important indicators.

The technical level of final products is, however, dependent on domestic deliveries which do not come exclusively from within our own sector. In designing new products it is requested that guidelines be established for spare-parts consumption, and long useful life and reliability are components of basic technical specifications. In decisions regarding the inclusion of tasks in the state or sectorial plan for scientific and technical development, the decisive criterion is whether its results can be included in production, that is, that the plan for scientific and technical development be integrated with the other parts of the plan.

The investment development section comments on the part which points objectively to shortcomings in the utilization of the production base, in shift work, and to the failure to staff all work positions even on one shift, as well as idleness.

It expresses the opinion that the common denominator of many of these causes which lead to the insufficient utilization of production technology are inadequate price relations between costs per individual factor of production and the resultant product. This enables enterprises to fulfill economic targets rather through extensive expansion of production than by conserving factors of production.

The utilization of capital assets is not a direct objective of planning instruments and centrally established indicators. Concern for the greatest possible utilization of capital assets is left to the responsibility of the enterprise. At the same time, practice indicates that the interest of enterprises in the

utilization of capital assets is not sufficient at the present time, even though their use is indirectly affected by efficiency indicators, above all the indicator of return on capital assets, and the concrete tasks connected with them such as the elimination of positions (established by the breakdown of the Seventh Five-Year Plan), and the retirement, and in some cases liquidation, of capital assets, etc.

Retirement is directly connected to the utilization of production technology, to the development of shift work, to the evolution of the age structure and thereby, for practical purposes, also the technical sophistication of the production base.

The retirement of obsolete and unneeded technology is being planned in terms of value. The only problem is that the significantly lower original purchase price or current values of the retired machinery and equipment act as an obstacle to modernization. The result of this is a reduction in production capacity and thereby in the fulfillment of one of the fundamental, closely watched indicators. The widening difference between their replacement costs and those of labor are leading to a shortage of labor which is, in reality, an excess of work possibilities stemming from the extent and low technical level of capital assets.

Besides the inadequate retirement of capital assets, this excessive increase in the number of jobs is mainly a consequence of:

- an unbalanced series of structural changes which are being realized primarily through the one-sided development of promising products without a corresponding reduction of those which are unpromising;

- the construction of new production facilities even in cases when the existing facilities are not fully utilized, or when their modernization would be more effective (see above, why modernization, for a higher investment outlay, is not feasible);

- the inadequate technical and economic level of newly constructed and renovated facilities. The substitution of technology for human labor is not sufficiently efficient. According to preliminary calculations, the normal number of workers freed by substitution is not adequate even to completely cover the labor needs of new facilities, let alone to contribute to an increase in shift work at existing facilities.

Current experience leads to the view that the solution to the assurance of the production base and its replacement must be sought, above all, in the establishment and emphasizing of the significance of economic indicators such as the return on capital assets, or the determination of others, such as the return on machinery assets, and the like. To this end, it is essential immediately to formulate indicators which create practical pressures for the modernization and replacement of the production base. Theoretical discussions do nothing to change this situation so long as they are not incorporated into rules of enterprise behavior.

The view of the economics section of the Ministry of General Engineering also related to this issue. The union of opinion with the investment development section is alarming. This has been confirmed by an analysis concerned with the increase in efficiency during the Sixth Five-Year Plan. The dynamic growth of profits, which doubled during the Sixth Five-Year Plan, exerted a decisive influence on the growth of efficiency, particularly the critical indicators of return on capital assets and payback on invested resources. Operating assets, and particularly capital assets which increased at a rate in excess of the rate of increase of performance, on the other hand, exerted an unfavorable influence.

The development and level of the indicators included in the proposed directive for the Seventh Five-Year Plan, and used to evaluate efficiency, indicate that in comparison with the Sixth Five-Year Plan there should be a significant improvement in the growth of efficiency, above all due to pressure from the indicator for return on production assets, which is significantly influenced by the continuing dynamic growth of profits. There should be a fundamental turnaround in production assets, based on a sharp slowing down of their growth. The result should be a relationship between the growth rate of production assets and that of performance, which is just the opposite of that during the Sixth Five-Year Plan. These and other positive pressures stem from the goals of the directive for the Seventh Five-Year Plan. They concentrate on achieving a great increase in efficiency and rest on the consistent implementation of the Set of Measures for Improving the Planned Management System.

With just such consistency the management of this sector will require that its subordinate economic production units work according to the Set of Measures, as if they were a set of instruments which could lead to a solution of our most pressing problems. Economists in the ministry view the most fundamental problem (against which the instruments of the Set of Measures are to be utilized) as precisely the utilization of assets which are already at our disposition to fulfill responsibilities toward consumers and toward the state budget, while limiting demands on further investments. That is, no longer to hold out a hand, but to deliver that which must be produced from resources which have already been provided. The political task is obvious without additional commentary. It has already been established by the previous CPCZ congress and, without doubt, will be confirmed as well by the upcoming 16th CPCZ Congress. The managing ministry is resolved to enforce this policy consistently with harsh penalties.

Finally, the following views from the commercial section, where the end crowns the project, provide the decisive voice; these are viewpoints reflecting the interests of the final user, the customer.

All possible measures must be taken to contribute to the assertion of Czechoslovak products in the sharpening competition with other producers. We entertain no illusions about our position if we do not come to terms with competition which takes no account of our domestic problems.

The index of increased exports to the socialist countries is projected to reach 125.2 percent in the upcoming five-year plan. The core of these exports remain technical ships, trucks and personal cars, machine-tools and forming machines, agricultural equipment, textile machinery, construction and roadbuilding equipment (the featured branch at this year's Brno machinery fair).

The USSR remains our largest trading partner, where we are to export roughly 40 percent of the total volume of exports to socialist countries.

Basic exports to nonsocialist countries during the Seventh Five-Year Plan will remain machine tools and forming machines, trucks and personal cars, tractors, and textile machinery. An increase is projected in the exporting of consumer products such as refrigerators, freezers, washing machines, bicycles and their parts, motorcycles, optical-mechanical equipment, sporting guns, and the like.

Measures are being implemented on both the export and import side to make our foreign economic relations with nonsocialist countries more efficient.

In the export area, emphasis is being placed above all on a more rapid growth in the innovation process, within the framework of which are to be implemented, for instance, several modernizations of the Skoda personal car, of Series I tractors, a new model truck, the TATRA T 813, innovations in the C 275 and 290 l refrigerators, in the T 245 automatic washers and in washers of smaller dimensions, and the like.

To reduce imports, import commissions have been established at all management levels which review the justifications for enterprise requests, reduce them, and issue recommendations for obtaining from domestic suppliers deliveries which have corresponding technical specifications and use characteristics. Savings in this area amounted to Kcs 64 million, all charges paid, in the first half of 1980. It is obvious that measures for limiting nonessential imports at the sectorial level will not be sufficient. Their success will also be dependent on the assurance of products which have to date been in short supply in the necessary amounts in all production sectors.

The main objectives of all the measures which are being introduced in the production sphere are quality, increased product life, lowered energy intensiveness, great technical sophistication, and the assurance of service.

To deepen the cooperation between producers and foreign trade organizations, so-called agreements on mutual cooperation are being concluded between economic production units and the Supply and Marketing Department. These agreements concentrate especially on the conceptualization of production and exporting, and on the related investment objectives of the economic production unit, including objectives for specialization, cooperation, the purchase and sale of licenses; on cooperation with the Supply and Marketing Department in creating a plan for technical development, the valuation of fundamentals concerning competitive producers, the shortening of delivery schedules, the valuation of product quality and the introduction of measures to eliminate specific shortcomings, cooperation in the conduct of consumer research in foreign markets, the fundamentals of the organization and operation of service networks, and the efficient utilization of common forms for developing worker initiatives (combined socialist commitments, comprehensive rationalization brigades, joint production conferences, socialist work brigade meetings, etc.).

All of these measures must assure the tasks established for the sector in the area of exports and imports, both in terms of volume and in terms of efficiency indicators.

These statements by ministry employees appeal to unarguably correct principles. But we still have high production consumption, and quality, spare parts, and service are still difficult to obtain. The machine-tool export plan to markets in nonsocialist countries is still not being met, and exports to the socialist countries, including the USSR, have shortcomings in the product mix. In this situation, the best principles and intentions do not help. Results alone are the measure of quality work.

9276

CSO: 2400

CSSR CHEMICAL INDUSTRY DESCRIBED

Prague DOKUMENTACNI PREHLED in Czech No 5, 4 Feb 81 pp 11-15

[Text] The chemical industry belongs among those branches with the highest dynamics of growth and, together with mechanical engineering, is the chief carrier of technological progress and chief agent in raising the efficiency of production. It makes up 8.6 percent of overall industrial production in the CSSR (vs. 4.9 percent in 1948). The chemical industry has a rich tradition in Czechoslovakia. The first industrial-type plants began to appear in our country as early as the last century. In 1918, in the period when an independent Czechoslovakia arose, there were 88,000 people working in the chemical, rubber and paper industries. Since that time, the chemical industry has undergone qualitative and quantitative changes. Especially in the last 30 years, a modern base for production has been laid. Several enterprises were constructed and modernized and new types of products and technologies were introduced. Today, the Czechoslovak chemical industry has at its disposal capital funds amounting to 95 billion Kcs, of which machines and equipment account for more than 57 billion Kcs. One hundred eighty-nine thousand persons work in the chemical, rubber and cellulose-paper industries.

Inorganic chemistry, which was important for creating the material bases for other fields of chemistry, was built up during the first years of the construction of socialism. After 1956, organic chemistry also began to grow at a rapid pace. The greatest growth in the chemical industry in all of the preceding five-year plans was recorded during the Fifth Five-Year Plan, when the increase in chemical production was the most rapid of all of the branches of industry. Compared with 1948, e.g., the production of tires for passenger cars has increased 8 times and for trucks 3.6 times, of hoses 9 times, of fertilizers more than 13 times, of sulfuric acid 6.5 times and of sodium hydroxide 9 times.

For the period of the Sixth Five-Year Plan, chemistry again ranked among the most important branches of the national economy. The direction of economic and social development in 1980 assumed an increase in production in the chemical, rubber and cellulose-paper industries of 37.1 percent, with 32.1 percent for the CSR and 43.8 percent for the SSR. Development was concentrated, above all, in the areas of specialties that are the bearers of structural changes. This involves primarily petrochemistry, synthetic fibers, plastics, cellulose and paper, surface coatings, additives to polymers, and organic dyes. During this five-year plan, 20 billion Kcs of investment media were expended for building up the capacities necessary to develop individual areas of production. Of this amount, 60 percent was concentrated on developmental programs.

The construction of the petrochemical complex in the Cs-Sov Pratelstvi Chemické Zavody [Czechoslovak-Soviet Friendship Chemical Works] subcomplex in Litvinov and the Slovnaft n.p. in Bratislava has contributed significantly to the development of the petrochemical industry. In 1980, the chemical industry was supposed to process 9 billion cubic meters of natural gas and 21 million tons of petroleum, including more than 10.5 million tons in the SSR. In line with the development of petroleum processing, there was a substantial increase in the production of plastics as well, of which almost 894,000 tons were produced in 1980 and which are finding increasingly broader application. The biggest customers are the machine, construction and consumer industries, where the introduction of polystyrene products and PVC has raised the level of packaging technology. The production of synthetic fibers was supposed to increase by approximately 30 percent according to the plan; in 1980 it exceeded 165,000 tons. A decisive portion fell to Slovak enterprises, where production was doubled. The production of industrial fertilizers increased by almost 15 percent, of which the highest growth was in nitrogen, potash and phosphoric fertilizers. In the rubber industry, during the 5-year period, production of tires for passenger and utility vehicles increased by 29 percent; of trucks by 28 percent.

In the cellulose and paper industry, the basic raw product is domestic timber. The production of cellulose increased 40 percent and the production of paper and cardboard by one-quarter.

Three-quarters of the production of the chemical industry serves as raw materials for other branches of the economy. This applies, e.g., to agriculture, where the growth in the production of artificial fertilizer was one of the prerequisites for an increase in the yield per hectare and to the textile industry, where synthetic fibers replace imported classic raw materials. Supplying the market with consumer goods in the CSSR is taken care of by the Chemopetrol concern in Prague; the VHJ Unichem, pardubice; the VHJ Ceske zavody gumarenske a plastikarske [Czech Rubber and Plastics Works], Gottwaldow; the VHJ Prumysl papiru a cellulose, [VHJ Paper and Pulp] Prague; the VHJ Slovchemia, Bratislava, and the trust of enterprises of the Slovak cellulose and paper industry in Banska Bystrica.

The current level of the Czech chemical industry was achieved thanks to the cooperation of the member countries of the CEMA. Reciprocal supplies of chemical products, semiproducts and raw materials have enjoyed constant growth in recent years: in 1975, they increased relative to 1948 by 150 percent, with Czech exports by 188 percent. The same dynamics of growth were assessed in the Sixth Five-Year Plan as well. In 1979, Czech exports reached Kcs 991.4 million K and imports Kcs 2,463,500,000 (in franco prices). The share of specialized and cooperative production increases constantly, e.g., the joint production of isoprene rubber, specialization and cooperation and the production of chemical and biochemical additives for fodder, joint solutions in the production of food proteins from petroleum. The collaboration of the chemical research institutes is also of great significance.

The most important partner is the Soviet Union. The basis of the economic cooperation between the two countries was the agreement on collaboration and cooperation in the production of chemical products between 1976 - 1980. The agreement contained 119 entries, of which Czech imports dealt with 67 and exports 52. From the USSR we import phosphoric and potash raw materials for the production of fertilizers, plastics and resins, semiproducts for the manufacture of dyes, and organic and inorganic raw materials. Czech exports include dyes, pure chemicals, certain types of plastics, resins and other things. A specialized agreement was concluded as well in the area

of petroleum processing and petrochemistry. This involves the importation of motor oils, lubricating greases and other petroleum products. Czech exports involve rubber products. The volume of exchange of chemical products in the Sixth Five-Year Plan compared with the Fifth has tripled. Within a framework of integration, the bilateral agreement between the CSSR and the USSR has great significance in the period to 1990, on the basis of which we shall receive energy-demanding products (methanol and nitrogen fertilizers) from the Soviet Union in exchange for products that are less energy-demanding (organic dyes, pure chemicals, herbicide preparations). During 1981-1985 the reciprocal exchange should reach 156 million Kcs.

Table I. The Development of the Chemical Industry (1970 = 100)

Year	Volume of Production	Capital Funds	Profit	Number of Workers
1970	100	100	100	100
1975	150	150	200	110
1980	220	230	400	117
1985	300	320	570	122
1990	400	430	850	130

Table II. Production of Basic Products in the Years 1975 - 1979

Index	Unit of Measurement	1976	1977	1978	1979
Synthetic Fibers	thousands of tons	147.3	152.7	162.8	151.6
Plastics	"	580.6	738.7	812.4	853.1
Total Artificial Fertilizers	"	1,046.6	1,082.6	1,077.9	1,067.8

Table II. Productions of Basic Products in the Years 1975 - 1979 (Con't)

Phosphoric Fertilizers	"	375.7	388.9	367.3	357.5
Nitrogen Fertilizers	"	486.9	511.0	519.7	511.7
Tires for Passenger cars	thousands of tires	2,723	2,965	2,993	3,018
Tires for Trucks	"	1,616	1,708	1,775	1,823
Surface Coatings	Thousands of tons	215.2	221.2	228.6	233.6
Organic Dyes	"	11.4	12.7	12.5	12.6
Only in CSR					
in CSSR					
Paper, Cardboard	"	831.5	856.6	864.4	861.3
Total Cellulose	"	560.3	576.0	586.0	587.0

Table III. Share of CEMA Member Countries in Chemical Products and Raw Materials Trade in the CSSR in 1980 (in percents).

	Export	Import
USSR	49.6	67.5
GDR	22.3	18.7
Poland	11.3	8.3
Hungary	8.6	2.5
Romania	2.6	2.6
Bulgaria	5.6	0.4
Total	100.0	100.0

3190

CSO: 2400

COST OVERRUNS, UNFINISHED PROJECTS PLAGUE CONSTRUCTION

Prague TRIBUNA in Czech No 6, 31 p 13

[Article by Miroslav Havlik: "Is It Just Ignorance?"]

[Text] The problems of capital investment lie not only in the excessive scope of unfinished projects, but also in its efficiency and putting new production capacities into operation on time. One of the principal factors is preparedness: in the first place, the quality of predesign and design preparation and of supplier-customer relations. Any shortcoming in this area is reflected in delayed completion, increased costs and eventually also in obsolete technology of the project which logically results in lower efficiency.

There are still considerable reserves in design preparation. The investigation by the CSR Ministry of Health of construction of buildings in the Janske Lazne spa, for example, revealed that 26 amendments had to be added to the economic contract with the general design engineer. The CSR Ministry of Industry discovered 31 amendments to the original design documentation on the reconstruction of the Jitex Pisek knitting mill np, [national enterprise], while the Czech Price Office found 38 amendments increasing the budget costs by Kcs 8 million in the Manufacture of Nonalcoholic Beverages Brno-Lesna project. These examples illustrate lack of proper design preparedness.

Apart from establishing the best possible to its completion, and keeping schedule, and as accurate an estimate as possible of energy consumption in future production and so on, the efficiency of capital investment projects is also affected by unjustified increases in budget and actual costs which violate the price, budgetary and billing regulations. If the investigation speaks of the "violation" of price and related regulations, then this term covers all types of violation without differentiating the causes which motivate an organization to engage in this antisocial activity. The main reasons are ignorance, negligence and intention. In other words, the reasons are qualitatively different and the last one mentioned may border on economic crime in some instances. However, even the first two may fall under this category.

Does A Difference of Kcs 100,000 Matter?

An important aspect of the evaluation of activity which is in conflict with the regulations is its repeatability. The same applies to the evaluation in the area of price discipline. If a citizen or an organization violates the regulation for the first time, one can, to a certain extent, take into account the circumstances

in which this violation was committed--for example because of the nonacquaintance with the regulation, its erroneous interpretation or simply from inexperience. It is assumed that the respective citizen or organization will draw the necessary lesson from these activities.

This should fully apply also to the billing for work and deliveries to capital investment, where rather complex ties between the preparation, implementation, supplier-customer relations, preliminary valuation and charges actually billed cause mistakes which result in the increased cost of projects. What should we say, however, of the organizations which obviously do not draw the lesson from their own mistakes and consistently violate the price and related regulations?

In its checks carried out for more than 10 years, the Czech Price Office has verified how the organizations in charge of work and deliveries for capital investment were discharging their obligations in valuation and billing. The deliveries by a number of organizations for selected investment projects were checked during the first half of 1980 and it was found that most of the organizations involved did not draw the necessary conclusions from the previous checks and continued to violate the price regulations. Among these organizations were Kralovo Pole Engineering Works np, Skoda Plzen, CKD [Ceskomoravska Kolben Danek] Dukla, VOKD [Development of the Ostrava Karvina Mines] Ostrava and Engineering and Industrial Projects Prague which, though to a lesser extent than found in previous checks, nevertheless continued somewhat to violate the existing price regulations.

Much Is Too Much

The checks carried out during the first half of 1980 revealed that there were 20 organizations which had not drawn the lesson from their previous mistakes and by their mistakes (including the organizations not previously checked) unjustly overcharged their customers for deliveries and work performed by them by 5.79 percent or almost Kcs 20 million. Our society was deprived of this value as established by spot checks and efficiency of capital investments was consequently reduced.

What would the figures obtained by analysis in depth look like and what would the total waste in our entire capital investment amount to? It is difficult to give answers to these questions. These losses sustained ultimately by the entire society, however, amount to many millions of Kcs and this does not include the incalculable losses caused, for example, by mistakes and changes in design documentation. In the Zamberk Dairies construction, for example, the original design was revised three times whereby the budget costs increased by Kcs 480,000. Apart from the incorrect valuation of design documentation, unjust billing for engineering work and so on by the design organizations, the price regulations are violated also by the supplier organizations.

Some enterprises continue to charge for work which was not performed at all or for more work than was actually done (VOKD Ostrava, for example, overcharged Karvina Darkov Mine Kcs 306,500 and Sezimovo Usti Water Works np unjustly billed the Ceske Budejovice Heating Plant project for the delivery and assembly of a larger steel structure than it actually shipped whereby it unjustly acquired Kcs 132,200).

In addition, the supplier organizations do not observe essential qualitative specifications and delivery terms. Konstruktiva np, for example, unjustly billed the Teplice Heating Plant project for laying of rails of higher quality than it actually delivered and thus enriched itself by Kcs 62,500.

Other enterprises used incorrect items in the price lists or charged again for work which was already included and billed in other items. By incorrect choice of coating rates in the price lists, the Pardubice Surface Construction Projects overcharged the Strelec Glass Sands Dressing project Kcs 36,900 and by double billing for stainless fittings CKD Dukla overcharged the Teplice Heating Plant project Kcs 15,600.

In individual calculations, higher prices are also charged for work performed than corresponds to the reality. By charging higher than actual wages and billing for the operation of equipment which, though specified by the technological procedure, was not employed, the Water Works np unjustly earned Kcs 36,200 on the Ceske Budejovice Heating Plant project, while CKD Dula unjustly acquired Kcs 94,000 by the incorrect application of norms for the assembly of the boiler.

Contrary to the provisions of respective regulations, organizations make charges for work to be billed at hourly rates or fail to make entries in the construction or assembly journals that certain work was performed. Ceske Budejovice Surface Construction Projects thus overcharged in this was the Ceske Budejovice Heating Plant project Kcs 89,500 and the Gottwaldov Surface Construction Projects the Kyje Dairies construction project Kcs 10,000.

Last but not least, numerical errors in favor of suppliers appear in invoices for work and deliveries. Thus Ceske Budejovice Surface Construction Projects, for example, increased their invoice for the Ceske Budejovice Heating Plant project by Kcs 365,000 which represents a 13.1 percent increase in the amount billed.

Ignorance, Negligence or Intention?

This brief summary does not deal with all types of irregularities through which the organizations improve on their economic results. Whether this is done because of ignorance, negligence or intentionally must be determined by the managers of respective organizations in the first place. At any rate, the supervisory organs, including the managing ministries, should pay proper attention to this problem, particularly in those organizations where the mandatory measures stemming from the previous checks did not prove sufficiently effective, and the organizations in question continue to violate price and other related regulations.

That this is not a negligible problem is clear from the fact that according to spot checks the organizations unjustly acquired by these malpractices approximately Kcs 52 million in 1979 and as much as Kcs 73 million in 1978. These funds did not do any good to the national economy, but on the contrary reduced the efficiency of investments. How big would savings be on the statewide scale, if we succeeded in discovering all malpractices? It is impossible to determine accurately, but it is possible to make a reasonable estimate. Over a long period they amount to approximately 4 percent of volumes checked.

If we assume that even despite the reduced dynamism of capital investment, its volume is expected to be approximately Kcs 800 billion during the Seventh Five-Year Plan, then these 4 percent of irregularities--should they continue also in the future--represent Kcs 32 billion in cost overruns.

At the present time, when we begin to apply the "Set of Measures for Improving the Planned Management System of the National Economy After 1980," we should ask ourselves whether in capital investment, too, we always learn from the mistakes committed in valuation, budgeting and billing. We should free ourselves from local patriotism and always keep in mind the nationwide expediency and efficiency of capital investments.

10501

CSO: 2400

CSSR TIRE PRODUCTION PLAGUED BY PROBLEMS

Prague HOSPODARSKE NOVINY in Czech 6 Feb 81 p 6

[Article by Bedrich Pala, manager of Mitas np (national enterprise) Prague: "Our Goal: Top-Quality Tires"]

[Text] By introducing the indicators of value added, returns on production assets and thus also by stressing the role of profit, the comprehensive experiment in efficiency and quality control stimulated enterprise interest in the innovation of products. The gains from preferential pricing are thus by no means insignificant, while the impacts of penal price reduction for inferior products are noticeable. Attention in Mitas np, therefore focused on the innovation of products.

The production program is based on the existing, for the most part technologically obsolete equipment which does not make it possible to rapidly replace present production by technically progressive products or those of world standards included in the first-quality grade. The modification of present equipment for mass production of crude tires and vulcanization would be prohibitively expensive and, considering the investment possibilities and availability of necessary machinery, absolutely unrealistic.

Successes and Question Marks

Taking into account this situation, the enterprise management evaluated the present possibilities and reached the conclusion that research and development must be directed to products which can be manufactured on the existing equipment from accessible raw materials and be exported and which are needed on the domestic market. The emphasis will be on increasing production of tires for construction equipment, special models of diagonal tires and all-steel radial tires for Saviem 30 vehicles made by Avia np.

This production program will be implemented gradually. On the priority basis, the 11.00-20 NB 57 Em eS tire was developed for cross-country track vehicles operating in difficult terrains. It essentially matches foreign-made products of top quality, has been included in the first-quality grade by the state testing laboratory and is expected to make up for imports from the Western countries. Moreover, there are good prospects for exporting it profitably. The effect of these tires is reflected in the first place in the improved compliance with the indicator of value added and returns on production assets which contributes to the increase in both base and incentive components of wages.

The next stage will include the development of giant tires (for construction equipment and building-site preparation) which are likewise imported from the nonsocialist states and whose prices have been unusually high on the world markets to this day. Although, due to the delays in series production of UNS loaders in the Martin ZTS [Heavy Engineering Plants], foreign-made production equipment has not been most efficiently used so far, we are trying to increase their production and are exploring new sales possibilities. Tire 17.5-25 EM NB 57 16 PR eS will be developed as the first representative of this series and put into series production. During the practical tests, it surpassed by its properties and performance the tires made by the biggest tire manufacturer in the world--the Goodyear firm.

At the present time, we are also exploring the possibilities of more rapid production of tubeless tires for which there is a demand on foreign markets. We would thus achieve a substantial improvement in the coefficient of international commodity exchange expressed by the differential indicator (the improvement should amount to at least 15 percent).

We have set ourselves the goal of attaining the first-quality grade for our products of progressive design because this is also the way of making extraordinary profits. For these reasons, we are trying to achieve this first-quality grade classification in all newly developed products which are to be manufactured in economically interesting quantities. Technical advantages of our more expensive product must exceed the respective price increase. Prospective customers are advised of the product's qualities during the final stages of its development and eventually check out the intended price increase. It must be emphasized, however, that the attainment of the first-grade classification should be a matter of course, if the research institute develops the tire!

With reference to the "Set of Measures," our innovation program anticipates production of various designs of tires for construction and excavation equipment. It is our intention to manufacture each tire in two models for operation both in difficult rocky conditions and soft soils. We shall also follow this course in starting production of 15.5-25EM tires. For quite specific agricultural use in the difficult foothill areas, we are developing this tire in the ZS 5 design. Should there be a market demand for it, we will also be able to develop and put into production some additional tires of the 25" series within a short time.

An important innovation will be the development of the 26.6-29 giant tire which is very much needed in our national economy and is imported at the annual rate of approximately 1,300 at the present time, which represents a value of approximately Kes 30 million in foreign exchange FCO [delivered]. Our enterprise will virtually meet the entire statewide demand for it as early as the first year of production, namely, beginning 1982. Achieving a higher technical classification of this product, however, will not be simple and easy because the prospective customers will compare it with the top-quality products of foreign manufacturers which are imported at the present time.

Correct Plan Detailing

The application of the "Set of Measures" should also help us solve some other problems, such as better coordination of our production program with the needs of the national economy. This, however, is beyond the possibilities of our enterprise because it

directly depends upon the correctly devised operations plan. If the overall economy is satisfactory and the planning index method sets increasingly higher targets for the enterprise for commodity production regardless of production structure, we are forced to manufacture these products in order to comply with this--through largely instructive (orientation)--indicator. Why? If the operations plan is correctly detailed for the enterprise in all indicators, the qualitative indicators (value added and returns on production assets) are accurately derived from this instructive (orientation) commodity indicator. In other words, if the enterprise does not comply with this instructive (orientation) commodity production indicator, it will also not comply with the qualitative indicators, which in turn will result in the reduction of both base and incentive components of wages.

The assignment of increasingly higher targets for commodity production, supplemented by specific tasks, regardless of the negative impact of production structure on these indicators, may not be always in harmony with the interest of the entire society and does not result in a better satisfaction of the needs of the domestic and foreign markets.

Finally, the third area is the problem of supplier-customer relations, that is, the problem concerning the deliveries of raw materials and above all of spare parts. For many years past, our orders for fittings, metallurgical material, automation elements and electrical components necessary for standard maintenance have been returned to us unfilled by our suppliers because of their insufficient production capacities and priority shipments. The maintenance of our production equipment does not acknowledge the existence of any priorities, thus we must be satisfied with what the suppliers can deliver to us. This situation has already existed for a long time and we do not assume that the "Set of Measures" will promptly solve all existing problems and will replace the sellers' market by the buyers' market. In fact, I am afraid that, because of interesting incentives for enterprise results in foreign trade, the shipments of these products will be further reduced and our operation will be made even more difficult. This problem does not concern Mitas np and its suppliers alone, therefore, general attention must be paid to the solution of this question.

The principles of the "Set of Measures" will not naturally take effect automatically. There systematic application will depend upon the understanding and implementation of specific measures in the entire national economy, at all levels of legislature, organization, management and control.

10501
CSO: 2400

HUNGARIAN-IRAQI ECONOMIC RELATIONSHIPS DESCRIBED

Budapest MAGYAR HIRLAP in Hungarian 19 Mar 81 p 4

[Article by Viktor Palfi: "Hungarian-Iraqi Relations. Brakes of War Are Not on Tight."]

[Text] In Iraq--just as in her opponent, Iran--we can no longer make a distinction between pre-war and post-war generations: both can be referred to as war-time generations. And this classic "watershed" will never reestablish itself as long as the present war between these two countries continues. Yet, even as the fighting is going into its seventh month, there seems to be no end in sight. For the moment both sides have chosen to think in military terms, therefore, even the youngest generation has acquired some real war-time experiences.

The main impression I received during my visit in Iraq was the the generation which, inspired by far-reaching peace-time ambitions, has so far developed so dynamically that it has been able to even make the best of a war-time situation. The country's energy reserves have also played a role in this: for now there are sufficient resources to finance increased expenditures as well as economic development. Last year production and investment activities around the country continued to rise, although it is undeniable that the war which broke out in September has slowed those activities down somewhat. The \$17.7 billion earmarked for investment in the annual plan have not been used up completely due to a redistribution of resources and manpower, and because of shipping problems. The same can be said about the extraordinarily steeped-up 5 year economic development plans as a whole, concluded last year, during which, according to unofficial estimates, only some \$37 billion worth of investments of the envisaged total of \$49 billion were successfully completed. This, however, has not slowed down the pace: the 1981-85 Five-Year Plan calls for an \$80 billion investment program. In light of the fact that last year Iraq's foreign exchange reserves amounted to \$39 billion--a large portion of which was in gold--it seems clear that this large-scale program does have funds to back it. Hungarian industry and foreign trade can--as the resources of our people's economy permit--also play a role in implementing that program.

An absence of matters of dispute and identical, or closely similar views regarding virtually every international issue are what constitute the basis of Hungarian-Iraqi political relations which have been steadily evolving for years. Our government has, from the beginning, consistently advocated the need for a comprehensive and just

settlement of the Middle East crisis which also takes into consideration the legitimate rights of the Palestinian Arabs. We greatly appreciate the steps which Iraq has taken toward achieving this goal, and we place high value on her anti-imperialistic policy of non-alignment. Our position is also well-known regarding the Iraq-Irani war: this war which is leading nowhere must be ended--without any outside interference--by political means which equally recognize the legitimate interests of both peoples.

One of the important factors behind the strengthening of our ties has been the increasing number of personal contacts between our leaders: in May 1975, President Saddam Hussein visited our country, then later in October 1977 our Premier, Georgy Lazar returned his visit by traveling to Baghdad. In February 1979, it was Vice-President Taha Muhyi al-Din Ma'ruf, who was hosted by our capital city. In addition, one after the other, a whole line of cabinet-level negotiations have taken place between our two countries.

The present visit to Budapest by a government delegation led by First Deputy Prime Minister Tah Yasin Ramadan promises to be an important milestone in the process of strengthening our relations. The Deputy Premier, who is a member of the supreme political body, the Revolutionary Command Council, and is, at the same time, the commander-in-chief of the people's army, or militia, is one of the key members of the leadership. In a statement to the press before leaving Baghdad, Taha Yasin Ramadan told reporters that the negotiations would be focused on the expansion of bilateral--especially economic--relations.

To learn more about the present state of Hungarian-Iraqi economic relations I turned to Tibor Miklos, counselor, head of the trade-policy department of our Baghdad Embassy. He told me that despite the war the Iraqi market has continued to remain solvent. They have not cut back on their investment plans, and they have even increased imports of consumer goods. International competition on the local markets continues to be strong. In its foreign trade, Iraq gives preference to those countries which provide it with the most modern technologies for its economic development. Unfortunately--the counselor points out--there are still some Hungarian enterprises which still have not recognized the primary importance of the Iraqi market. This in spite of the fact that for several years now Iraq has been our number one trading partner among the developing countries.

The counselor was pleased with the development of the turnover of goods between the two countries: in 1977 its total volume was \$148.7 million, and last year it increased to \$229.1 million. While it is true that this latter is 21.1 percent below the 1979 turnover figure (\$290.2 million), the overall picture is still not unfavorable.

Efforts to repeat the performance of the 1979 record year were hampered last year by a whole line of retarding factors. Among these the following need to be mentioned: the war, which has brought about changes in Iraq's list of priority imports, and which has further aggravated the problem of shipping; the unsatisfactory level of competitiveness of the Hungarian goods offered; and the intensifying competition on the Iraqi market. And finally, the Hungarian partners are seldom able to assert themselves as primary contractors. Both the financial and structural aspect of our foreign economic relations with Iraq are favorable. The value of Hungarian exports exceed our Iraqi imports by one-third. The composition of our exports is also advantageous;

68.5 percent of it consists of machine-industry and metallurgical products, while our light- and chemical industrial and agricultural goods each represent 15 percent. Ninety-eight percent of the Hungarian imports is made up of Iraqi crude oil. We buy 1 million tons of petroleum a year from our partner, although last year--because of the war--the flow of delivery was uneven. Overall, however, the counselor was optimistic about the future of Hungarian-Iraqi relations.

Taking into account Iraq's Five-Year Economic Development Plan which is being implemented this year, as well as the damages caused by the war, the following areas seem to offer opportunities for Hungarian industry and foreign trade.

- delivery of equipment used in the production and distribution of electric energy,
- planning and construction of waterworks,
- exports of food-industry machines and products,
- highway transport vehicles,
- development of storage capacities.

Iraq continues to have a need for Hungarian "intellectual exports": exchanges of experts and scholars have been steady. The role of the permanent Hungarian-Iraqi mixed commission on economic cooperation has also been important in strengthening our relations. Its chairman, Minister of Trade Hassan Ali, is a member of the government delegation which is now in Budapest negotiating. His Hungarian partner is Deputy Premier Jozsef Marjai.

In a conversation I had the other day in Baghdad with Minister of Industry and Minerals, Tahir Tawfig, who had just paid a visit to Hungary a few weeks ago, spoke positively about his talks there as well as about his observations and experiences. He told me that they hoped to also expand relations with us in the industrial area especially in the form of cooperation. "Both Hungary and our country pursue an independent course of development. We must, however, build a bridge which enables us to meet each other exactly half way"--said the Minister.

Finally, the inter-governmental talks which have just gotten under way in Budapest are also going to be conducted in this same spirit: aiming at results which are beneficial to both sides.

EMIGRE VIEW OF ECONOMIC REFORM GUIDELINES PRESENTED

London DZIENNIK POLSKI in Polish 14 Feb 81 p 1

[Article by Janusz Rakowski: "'Systems Reforms' Project"]

[Text] After several months of work, the Committee for Economic Reforms, convened following the events of last summer, presented its plan to the authorities of the Polish People's Republic [PRL] and submitted it to further public discussion. This elaborate dissertation was published in January 1981 by the party paper, TRYBUNA LUDU, on 16 pages of large-size paper, under the title "Basic Postulates of Economic Reform." The committee, which included a group of workers, was comprised of close to 500 representatives of various academic disciplines and "party and nonparty" social and economic workers. Thus the committee's plan might be considered as representative by this group of people who are basically tied to the system and who, within the framework of this system, are seeking ways to reform the economic mess.

Failure of PRL Economic Policy

The plan which was presented is first of all a document confirming, in part explicitly and in part indirectly, the failure of the PRL economic policy which has led to this so-called "deformation in the functioning of the sociopolitical and economic system." This statement refers not only to policy failure but also to the failure of the entire large enterprise organization of the PRL's masters, and this organization must be restored to health.

In the introduction we read: "The autocratic behavior of the authorities and the erroneous, voluntaristic socioeconomic policy led to dangerous stresses and disproportions in the economy and made it impossible to adjust economic functioning to the social necessity of worker-participation in management, adequate benefiting from the present-day material base, and the demands of educational-technical progress. This was one of the basic causes of the national economy's low efficiency and led to social conflict."

One must admit that this is a rather brave statement and evaluation of reality. The present system is not in any shape to cope with fulfillment of society's needs. It must be changed, reformed by means of "structural changes, greater work productivity, innovations and educational-technical and economic progress." This is called "total reform" because of the very wide range of essential changes. Basically, what is involved is the so-called systems reform which has been discussed for a long time in newspaper columns and professional publications.

Reform Postulates and Direction

The planned reform's point of departure and direction is the "implementation of socialistic renewal policy." This does not involve any basic change in the political structure or the planned economy model (which the writer of the above words describes as a revisionist concept), but rather involves the improvement of that model, "based on the putput of science and native experience, with reference to the results of work currently being done on changes in economic functioning in Bulgaria, Czechoslovakia, Yugoslavia, GDR, Rumania and [sic!] the USSR."

What is postulated is the "growth of socialistic democracy and self-government in all its forms" with "collectivization of administration" to "insure proper performance by the party of its leadership role in society," (Point 2) and at the same time to "strengthen the strategic role of central planning" through planned augmentation of enterprise independence and self-government. (Point 8 of the plan)

Another postulate of this reform, though not clearly stated initially and somewhat hidden, which nevertheless is revealed in later statements (Point 21), is the "growth of more developed and lasting forms of economic cooperation with foreign nations, with regard to taking full advantage of the benefits of international division of labor within the framework of CEMA" as well as "furthering socialistic integration, in which Poland should be an active participant and partner." Obviously, it is difficult to expect the authors to demand that these dubious "benefits" of cooperation with CEMA be loosened, and that, together with the proposed reform, consideration be given to the point of view that there should be cooperation with Western nations on whose help, more than on anything else, everything depends these days.

Economic Conditioning of Reform

The authors are perfectly aware of the fact that the planned reforms constitute a long-term program whose success depends on a concrete, timely socioeconomic policy which will make implementation of the program's postulates possible. They write: "Institutional and organizational changes and modification of operating methods will not, in themselves, eliminate the pressures of inflation and lack of stability in the consumer-goods market, and will not correct the profoundly damaged economic structure and foreign-trade balance." ... "Disproportions and inflation may frustrate reform." (Point 11)

A socioeconomic policy which is to promote reform should concentrate in the near future on an increase of the role of consumer goods in the nation's output, development of small businesses and services, an agricultural policy which will ensure farm profitability, changes in price structure, stimulation of saving, increase in work productivity, immediate reduction of capital expenditures for production, and similar actions. (Points 13-21)

This section is the most interesting from the point of view of the current economic situation, which requires quick intervention rather than theorizing. These correct postulates are in the realm of economic pragmatism. Unfortunately, however, the reform planners only outlined general pointers without providing a concrete plan of action, which was left for further consideration. But the matter is urgent. Among the concrete actions and methods of implementation are the conversion of, or moratorium on, the enormous foreign debt or--only as an example--an interesting project proposed by Dr Stefan Kurowski to a Solidarity educational symposium in Gdansk.

This project was aimed at improving farm profitability and increasing food supplies by an economic process transferring the currently budgeted food-price subsidies to wages, pensions and annuities. These kinds of practical solutions and temporary measures were not formulated by the Committee for Economic Reform.

This still-unspecified program of temporary economic measures, tied to the systems reform, is planned for implementation over a 3-year period. Formulation of a "3-year government plan of national economic stabilization" (Point 22) is suggested (in keeping with statements made by Kania and Pinkowski). This transitional period is to enable implementation of economic mechanisms proposed in the systems reform plan, or--and we say this openly--stabilization of the system within the framework of "socialistic renewal."

Organizational-Economic Structures

The basis of the PRL socioeconomic system is to remain the "socialistic economic system based on socialized means of production and socialistic conditions of production." (Point 23) While retaining the "dominant role of the socialistic sector" which is manifested by government ownership, there are proposed changes in the structure of this sector toward independence of enterprises and "self-government of enterprise personnel." This is still a long way off, since "establishment of the proper structure should follow penetrating analysis." The shaping of (formal) economic organizational structures is to be within the jurisdiction of government authorities. The plan nevertheless anticipates an increase of authority for regional governing and administrative organs (people's councils).

As is well known, the centralized state economy of the PRL destroyed the cooperative movement which flourished in the nation before the war. Now, the reform planners consider essential "the restoration of a self-governing cooperative movement" and "reactivation of traditional cooperative associations." They also postulate the "creation and maintenance of a stable climate for treatment of individual peasant farms as a permanent element of the socialist economy in Poland, as well as the granting of equal rights to all agricultural sectors." This is a basic recognition of peasant private ownership and agricultural self-government. (Point 27)

In the new, improved structure, private trades are also to be recognized as "a basic element of the national economy." Since it is recognized that trade unions "occupy an important and ever-more significant role in the socioeconomic structure," it is proposed that this role be more clearly defined and delineated by legislation describing the position of trade unions in enterprises and their importance "as partners of government organs in solving problems of social and work policies, that is, of the economic policy in general-indirectly." (Point 29)

Summing up, the Committee for Economic Reform suggests that:

"The aim of change in the organizational structure of the economy should be legally established guarantees of:

--socioeconomic democracy;

--efficient operation of the new economic system under conditions maintaining self-government;

--independence of enterprises;

--proper operation of the mechanisms eliciting and supporting initiative and activity on the part of all elements of economic life."

Central Economic Administration

Central economic administration, faith in its socioeconomic usefulness and five-year plans are taboo in Marxist-Leninist ideology. This matter was given the most space in the plan of the Committee for Economic Reform (Points 35-60), no doubt in the belief that correction of heretofore erroneous planning will bring about the desired economic results. An attempt was made to specify planning principles and the scope of decisions and administrative tools on the central level as well as the function of the central government organs.

"Central planning is one of the basic principles of socialistic economy," state the authors of the proposed systems reform. Here too, reform is to "socialize [planning] and render it democratic." Reform is to be manifested through a change in planning methods and procedures. These methods "should assure broad and real participation and influence by society in shaping, undertaking and controlling decisions which significantly affect the standard and condition of people's lives, the nation's socioeconomic development and socialist [always 'socialist!'] principles of social coexistence." (Point 35)

An economist who, in line with Western concepts, understands economic planning to be the broad delineation of short- and long-range objectives and the coordination of activities of basically free economic organisms, finds it difficult to debate with economists educated in Eastern-type planning schools. It is also difficult to go into the numerous details of the proposed reform of the Polish "model." Suggestions for democratization, for making explicit the jurisdiction of various central and regional administrations in drawing up plans and administering their execution, etc., are no doubt useful, but one may question their real value since the very idea of central planning as a prime economic mover is of doubtful value.

The lack of a price- and wage-regulating mechanism such as exists in a free-market economy makes it impossible to make accurate economic calculations in an economy which is centrally bound and directed, and creates a labor of Sisyphus for planners attempting to "ensure the strategic role of the central plan" on the one hand, and to create "conditions for independent activity by economic organizations" on the other. (Point 39)

"Prices and other resource-pricing norms (foreign-exchange markets, interest rates) should play a fundamental role in central government direction of the economy." They should! Very true, but how is that to be accomplished in a communist economy? Economists in the nation have for a long time called for so-called "economically justified prices." In Point 46, the authors of the reform write: "Government shaping of prices should be accomplished by setting(approving) prices, establishing mandatory pricing rules and influencing supply and demand. Prices should ensure a balancing of supply and demand..." Again, these are correct statements which are included in the political economics primer. But how is this aim to be accomplished? One practical idea, as the reform planners write, is that "the basis for shaping prices of raw and other materials should be [always 'should be'] the price relationship on

international markets." The Viennese economist, L. Mises, claimed, not incorrectly, that without the capitalist free-exchange economy no socialist economic plan whatsoever is possible.

Socialist Enterprise

More concrete, though no less difficult to implement, postulates are those concerning the "socialized enterprise," i.e., the "organized workers' collective." (Points 61-91) In these postulates, surrealistic syndicalist concepts are intertwined with elements of capitalist thought. "The fundamental condition for the existence of an enterprise should be earning capacity. Nonfulfillment of this condition should be the basis for mandatory [my emphasis] reorganization or liquidation." (Point 63)

The PRL system naturally excludes the possibility of free organization or of liquidation of larger production enterprises. Only government organs have the right to establish, liquidate or merge enterprises. They too "should administer enterprises using economic tools, sources of information and legal codes and, in strictly defined cases, by assignment of concrete tasks." (Point 65)

The reformers nevertheless wish to give these nationalized and government-administered production enterprises a broader range of independent activities. They postulate management by one person (a director) together with worker participation. The following statement is brilliant: "...pursuant to the PRL constitution, workers in enterprises have the right and obligation to participate in the management of these enterprises." (Point 71) These rights and obligations are to be accomplished through "self-government by the enterprise workers [in the plan this was emphasized in boldface], that is, by councils comprised of office and factory workers, elected by the workers in general, secret, direct and equal elections." This is how the concept of socialist democracy is to be implemented at the bottom of the planned economic structure. Further in the plan we read that what is needed for the proper functioning of this self-government is "intimate cooperation with the party organization, the professional associations and the social organizations operating within the enterprise." (Point 77)

All this sounds very nice and "democratic." The only question is: When will this army of economically trained representatives of factory and office workers on factory councils, losing no time in coordinating "their own plans which are tied to the national economic plan" (Point 80), "self-financing of exploitation activities" (Point 82), distribution of profits, etc., with so many organizations and administrations, be available without harming productivity? The director is to be the "executor of the workers self-government's decisions."

Wolf and Goat

Without negating the large amount of work done by the authors of this "systems reform," it is difficult to avoid the impression that this whole dissertation was worked out with the idea that the wolf be satisfied and the goat remain intact. It is still too early to predict whether the "wolf," in this case the prevailing government system and the party, within which various groups and reformist tendencies are struggling, will manage to swallow the proposed postulates and proposition--because that is what it is all about for now--and consider itself satisfied. It is also difficult to say

whether the "systems reform" which has been launched will rescue the "goat"--the Polish society, fleeced by the "wolf." The professors offer advice, the party resists rapid implementation of the obligations of the Gdansk agreement and prolongs the political ferment, the people continue to stand in lines in front of empty stores, and urgent problems, requiring prompt, pragmatic action, remain unsolved. Pity!

9461

CSO: 2600

ISSUE OF FARMERS' TRADE UNION IN POLAND DISCUSSED

London DZIENNIK POLSKI in Polish 9 Feb 81 p 2

[Article by Stanislaw Wasik: "Concerning a Farmers' Trade Union in Poland"]

[Text] At first glance, it might seem that the affair of precisely this trade union should raise no doubts.

In the international plane trade union matters are regulated by conventions of the ILO, founded in 1919. Already Convention No 11 of 1921 (ratified by Poland in 1925) provided that persons employed in agriculture have exactly the same right to organize themselves into trade unions as do industrial workers. Accordingly, in Poland there used to exist the Trade Union of Agricultural Workers, headed by Jan Kwapinski, who was jokingly called "the king of hired men and farm wagon drivers."

After World War II international labor legislation had become expanded. Since it was observed that in certain countries the powers that be attempted through various complicated administrative formalities to hinder the founding of trade unions, Convention No 87 of 1948 (ratified by Poland) clearly prohibits practices of this kind. In this connection, it is difficult to find a legal foundation for the confirmation (in the form of registration) of trade unions by the courts, imposed by the regime in Poland.

Other tendencies have also been observed--to wit, the establishment by proprietors of their "own" trade unions (in English known as "company" unions), subsidized and at the same time controlled by the employers. Convention No 98 of 1949 (also ratified by Poland) explicitly prohibits practices of this kind. This raises the question of why the state, as the employer which organizes "official" trade unions (as until recently has been the rule in Poland), should be exempt from such constraints imposed on other employers?

Who Works in Agriculture?

Now that these rather generalized comments have been made, problem directly concerning the question of a trade union of persons employed in agriculture should be considered.

A fundamental question, on which opinions differ, is the definition of the specific nature of coverage by the concept "employed in agriculture" in the context of the ILO legislation. In practice as based on the 1921 convention, this problem had been rather narrowly construed: as a rule, trade unions only associated agricultural workers. Since then, however, nearly half a century has passed and concepts have changed so that in Convention No 141 of 1975 we encounter a more precise and broader definition of who should be included.

The members of a trade union may be both agricultural workers and independent farmers who derive their main income from agriculture; in the latter case, however, the following restrictions apply:

- (1) If they till land by themselves and with the help of family members alone (the temporary hiring of a helper does not terminate the right to belong to a trade union);
- (2) If the land is not rented to another person.

As can be seen from the above, the attitude of the employer has changed greatly in the last half century: an independent farmer is under certain conditions the same as an agricultural worker, so far as the right to belong to a trade union is concerned.

Convention No 141 was not ratified by countries of the Soviet bloc, which may be partly attributable to the different structure of agriculture in these countries (lack of private ownership in agriculture). Such reasoning cannot, however, apply to Poland where the land predominantly remains under private ownership. On the other hand, most West European countries (Great Britain, Germany, Italy, the Scandinavian countries, etc.) have ratified this convention. It has also been ratified by distant India, pro-Soviet Cuba, and certain other non-European countries. Poland, on the other hand, despite the West European type of its agriculture, so far has not ratified it for some reason, probably owing to some consideration of "dogma."

Yet another argument could be cited in this matter. If an independent farmer who personally tills his land is partly a worker and partly a "manager," then in Poland he is a worker to a greater extent than in the West. In the West such a farmer makes various decisions on his own as to what crops to grow and to whom to sell them and for how much, and where to make his purchases, etc. In Poland the state uses the procurement system to buy up most of the harvest at prices which it imposes, and it can readily punish any "obstinate" farmers who refuse to deliver their crops by overlooking them when distributing artificial fertilizers and other indispensable goods and services.

The Government Is Concerned Only With Power

The regime opposes the registration of a farmers' trade union. The secretary general of the ruling party, Kania, has sharply voiced his opposition, disregarding the fact that the matter is being considered by the Supreme Court--in England one would say that he is attempting to influence the verdict in a matter which is "sub judice".

It should be borne in mind, besides, that the Supreme Court is in practice the least independent court in the Polish judiciary, since the term of office of its members is 5 years, whereupon a judge may be either confirmed or not confirmed for the next term of office.

After the various legal, formal and other aspects are reviewed, one should try to answer the question of what the fundamental issue is in this matter.

The preamble to Convention No 141 declares that this convention is introduced with the object of "linking farmers to the economic and social development of a country, which can be achieved through lasting improvements in their working and living conditions."

The convention also considers that farmers' trade unions "can and should contribute to reducing the persistent shortage of foodstuffs in certain countries."

It would appear that that is the most important issue in Poland today. An agriculture that is properly cared for can solve many problems and improve the country's supply of foodstuffs, thus also reducing imports for which hard currencies have to be paid. This is understood by the public and by the Solidarity Trade Unions, which support the demands of the countryside, but it is not understood by the ruling party, which is chiefly concerned with preserving its power. It seems that the party cannot understand the main issue--the fact that farmers want to have some independent organizational form of defending their own interests and that, unless this desire is satisfied, it will be difficult to obtain the full and willing cooperation of farmers, who, after all, are the ones who feed the country. And the nation must, above all, be properly fed if it is to be capable of the intensive effort expected of it.

1386

CSO: 2600

AGRICULTURAL MACHINERY SITUATION EVALUATED

Shortage of Machinery, Repair Facilities

Warsaw ZIELONG SZTANDAR in Polish No 12, 8 Feb 81 pp 1, 4

[Article by Adam Orlowski]

[Text] The level of labor mechanization in Polish agriculture is, unfortunately, embarrassingly low. Despite certain improvements in the last 25 years, by 1980 it had reached a little over 30 percent. The majority of the countries of Europe had reached this point in the 1950's.

We have had many, too many optimistic programs for mechanizing our agriculture, but as a result of their "implementation" it appears that, lo and behold, we are literally short of everything. At present there is not even one field of agricultural labor about which we can say that it has become fully mechanized!

The Technology Department of the Ministry of Agriculture [MR] reports the implementation of approximately 90 percent of the five-year plan (for the years 1976-1980) for supplying agriculture with tractors and farm machinery. However, this was a plan that projected meeting only 70 percent of the needs.

This represents a reduction in the still very meager supply of tractors and other machinery by 60,000 tractors, 11,000 trailers, 2,000 loaders, 3,000 lime and fertilizer spreaders and thousands of tedder-raking machines, mechanical milking machines and plows, and many other pieces of simple machinery and equipment. Let us add that, due to a lack of replacement parts and tires, 40,000 tractors (17 percent of the total) and 60,000 trailers (23 percent of the total) are not working; many thousands of other machines and implements are not fully efficient.

As a consequence of numerous technological gaps caused by sheer ignorance by the industry of the actual, technological needs of agriculture, the incomplete utilization of the machinery available to agriculture is common.

This picture becomes even more deplorable as we are made aware of the unequal distribution of means among the particular sectors of Polish agriculture, which has been obligatory for many years--a distribution which has not taken into consideration either the acreage of land under cultivation or the volume of production which has been attained. This unequal distribution is justified by and is based on the principle of the superiority of large-scale socialized farming.

This principle means that industry is more willing to produce large machinery which is more often than not unsuitable for peasant farms. Real struggles must be waged for any kind of machinery corresponding to the needs of peasant farms. As a result, the primary feeders of the nation, supplying over 76 percent of our food, are doomed to depend on the strength of their own shoulders....

And nothing special awaits them in the near future, or in 1981 for that matter, if we look at the statistics on the structure of the distribution for deliveries of agricultural equipment as projected by the Technological Department of the MR: deliveries to State Farms (PGR) and Agricultural Producer Cooperatives (RSP)--for 13 billion zlotys, peasant farms--for 15 billion zlotys and Agricultural Circles Cooperatives (SKR)--for 17 billion zlotys (for the sake of clarity--the share of individual farms in mechanized operations of the SKR is approximately 30 percent!)

And all of this is happening after a veritable flood of announcements by government representatives in the Sejm and beyond its doors on the subject of the reallocation of the means of production in Polish agriculture! Can we set this matter in order now, before spring labors begin?!

The worsening difficulties with the purchase of tires, for example, are causing an increase in the number of tractors out of service for this reason to 50,000 (30,000 in the SKR, over 20,000 on individual farms). This was recently announced by the president of the Central Union of Agricultural Circles [CZKR], Jozef Koziol. The lack of other replacement parts needed by the Commercial Agency for Agricultural Equipment [AGROMA] is causing many machines to be eliminated in spring labors, machines that were acquired by farmers with such difficulty.

The weak technical network of agriculture brings about a situation in which there is no place to repair equipment. Throughout the whole country, scarcely 656 communal repair shops and 1,587 service-maintenance stations operate within the framework of the SKR, but just what kind of stations these are is attested to by the fact that approximately 60 percent of their repair area is composed of separate sections in shops and garages given over solely to equipment maintenance. Only one out of three SKR's has a shop with an area of more than 300 square meters.

The shortage of mechanization in individual Polish agriculture is the result of the failure to be realistic, to mesh theory with the practice of agricultural policy that has occurred over the course of many years. In this situation, numerous scientific studies, including studies about the necessary scale of agricultural mechanization, have been floating around in the files. Let us make mention of the study of the Institute of Mechanization Construction and Agricultural Electrification.

This study shows that agricultural production in Poland is implemented with the employment of approximately 5 million people, and machinery valued at 350 billion zlotys (in current prices). Consequently, a 10 percent increase in the number of tractors and other machinery of 10 percent, for the sum of 35 billion zlotys.

Assuming that it would take machinery valued at 200,000 zlotys to compensate for the work of 1 person employed in agriculture, it may be calculated that it would take technical equipment valued at 100 billion zlotys to reduce those employed in the whole of agriculture by only 500,000 people in the next five-year plan. On the other hand, in order to maintain the existing state of technical supply, we will have to designate

approximately 175 billion zlotys for the five-year plan (which includes a rate of depreciation of 10 percent). Add to this, the indispensable compensation of horsepower, and we will have to lay out a sum which considerably exceeds the present value of all equipment now available to agriculture over the course of the next 5 years.

This represents an outlay of 20 percent of this amount for the current year, or 100 billion zlotys...Meanwhile, the entire worth of the production of the farm machinery industry for this year amounts to a small portion of this sum.

Industry heads questioned on this issue have proclaimed that numerous problems connected with raw materials and energy as well as (derivative) problems of a cooperative nature are causing the incomplete utilization this year of the industrial potential of the tractor and farm machinery industries. Further breakdowns in the implementation of continued investments in this subbranch will also come to light. Nor will the production potential of such simple machinery and equipment as tractor-drawn binding machines, mowers, potato-digging machines, tedder-raking machines, cultivating equipment and milking machines be fully utilized.

In such a situation is it any wonder that the MR has decided, beginning 1 May 1981, to open a special association (within the framework of the Central Administration of Engineering Service for Agriculture [CZTOR]) on the basis of the former state machinery centers? This association is to handle the recycling of spare parts and units, as well as the small-series production of machinery and equipment.

It is hard to believe, although it is--given the situation of the existence of a special Ministry of Heavy and Agricultural Machine Industry--an economic paradox. If the economic reform, over which numerous teams worked and worked in the sweat of their brow to conceptualize, resolved only this one matter--if the appropriate ministry, and only that ministry did what it was supposed to do--it would be a major success. But at present there can be no talk of success. But let us take care that the technologically starving state of agriculture--which is continuing and worsening--does not produce real starvation...

How may this situation be resolved? Well, the industry can be forced to provide what the farmers need, but it would be much better if a market for purchase in the village was sought after by the industry. Perhaps someday it will come to this, but for the time being farmers are waiting years for their allotments of tractors and many other machines--and even for plows.

Recent government decisions concerning the technological assistance of agriculture (including an increase in the number of tractors to 90,000 in 1985) appear to indicate that--as they say--the ice has been broken. But from here to the spring thaw--i.e., technological satiation of agriculture--is still a long way to go.

Need for Repair Work

Warsaw ZIELONY SZTANDAR in Polish No 16, 22 Feb 81 p 2

[Article by Tomasz Kita]

[Text] The check of the operational state of tractors and farm machinery conducted last fall indicated that considerably more equipment is in need of repair than a year ago. Thus, e.g., 34 percent more field chaffcutters must be repaired and 24 percent

more NEPTUN beet harvesters. The number of inefficient tractors grew by 11 percent, of BIZON harvesters by 15 percent, of hay-gathering presses by 20 percent and of claw loaders by 17 percent.

Everyone is trying to cut costs. Individual farmers try to repair even very specialized machinery. The Central Administration of Engineering Service for Agriculture [CZTOR] holds that the State Machine Stations [POM] under its jurisdiction must assure better quality of repairs, offer a guarantee of a year and have a large number of salvage parts for recycling and the like.

For several years now CZTOR has used a system of repairing equipment via the exchange of entire units. For example, damaged or worn out gear boxes, rear axles, motors and the like are sent to specialized factories and a new unit already at the shop is immediately installed. The specializing factory recycles many parts, which enables the limitation of orders for new parts. The disassembly and reassembly are done on an assembly line at suitably equipped work stations.

The system now includes 150 different kinds of units. These are mostly tractor and harvester units, but they also include 4 units for rotary mowers and 5 vaporizer units. Last year over 1.8 million units, worth 5.5 billion zlotys, passed through the hands of mechanics. The increase in their share of repair work is continuing this year. The assortment of recycled parts exceeds 1,200 items, while their combined value amounts to 2.5 billion zlotys.

If a breakdown occurs during the harvest or potato lifting, it certainly saves time to use replacement units. But transit costs for the Soviet network of specializing plants are growing. Moreover, a farmer who has a relatively new tractor prefers to have only the damaged part replaced, e.g., a crankshaft and not the whole motor. The lower price of a motor made up of recycled parts does not satisfy him in the least. Besides, why should he pay for the various added jobs which are done because a whole unit and not the one damaged element has been replaced.

The cessation of the sale of crankshafts, engine blocks and a number of other parts has forced farmers to use the services of the POM's. They pay in a lump sum for repairs at a reduced rate, because the industry is lagging in the production of parts.

It seems paradoxical that the repair establishment in Zdary near Lodz supplies more recycled crankshafts than the URSUS Machinery Plants [ZM]. Although the factory has increased its deliveries from 10,000 to 16,000 pieces of equipment, approximately 12,000 C-360 URSUS tractors are standing idle because there is also a shortage of crankshafts for motors repaired at the POM's. If the supply does not increase, still more tractors will be standing.

CZTOR is aware of the drawbacks of the present system of repairs, and for this reason, it has now advised POM to place greater emphasis on running repairs in order to extend the service life both of parts and units. "Any a time the replacement of a piston ring or even a gasket in time will solve problem indefinitely.

The concentration of repairs has been carried in general to its reasonable limits. In the case of a rotary mower, only the cylinder assembly and housing must be repaired by POM specialists. The principle that the user has the right to have equipment repaired as close to home as possible has become accepted. The regional POM is the coordinator, but not a monopoly.

It is a disturbing fact that for every type of machinery the index of technical preparedness as of 20 January 1981 averaged 6 percent lower than at the same time last year.

On that day, 47 percent of the self-running field chaffcutters were in good working condition, as were 48 percent of the rotary mowers, 65 percent of the spot seeders, 71 percent of the manure spreaders, 72 percent of the claw loaders, 76 percent of the fertilizer spreaders, 79 percent of the tractor-trailers and 80 percent of the tractors.

The situation with regard to field chaffcutters delivered from the GDR is especially bad. In Poland 2,438 of these implements are in use. Repair of the chaffcutters has not been undertaken, for the most part, due to a lack of replacement parts. A similar situation exists with regard to PNEUMASEN spot seeders imported from France. The Trade Bank in Warsaw has not yet approved the purchase of parts, and beets must be sown by the end of April, at the very latest. Just as it is every other year, the repair of K-442 high-pressure hay presses will be a problem. There are 16,000 of these imported machines in Poland.

It is practically a tradition by now that there is a shortage of parts for domestic equipment which is primarily produced by the chemical and machine industry outside of the subbranch. This includes rubber belts for fertilizer spreaders, gaged chains for manure spreaders and high-pressure hoses for loaders. At the top of the list are oil filters for engines. These should be changed every 200 operating engine hours, but who can do this when statistics say that there is 0.42 of a filter per tractor! A total of 2 million filters is needed every year; altogether, the factory in Sedziszow Malopolski supplies only one-fourth of this amount.

It is rumored that filters are soon to be purchased from abroad. Hopefully this transaction will be quickly finalized. The emergency import of filters, of course, will not solve the problem. What is necessary is more intensive work on the construction and bringing into production of a filter that can be disassembled. A certain mechanic in Lodz is producing such a filter and our industry could also begin production on it, if it had the foreign exchange zlotys for the purchase of the special paper used for the insert produced in the FRG.

There have been and there continue to be problems with basic repairs of the URSUS C-385 tractors. Last year, POM in Leczyce succeeded in repairing 2,600 motors, and it still has 2,500 left to fix. For this year, appointments have been made for the repair of approximately 7,000 motors, and, under the best of circumstances 5,000 of these will be fixed, which means that repairs will get still further behind.

As we all know, the tractor is produced in cooperation with the Czechs. They import some of their parts from the FRG. They supply us with a few, but not enough to cover our needs. Parts consumption is not so great for the Czechs as it is for us. The matter of joint accounting has not been definitively settled. The production of the elements in which the shortage is greatest must be set in motion domestically. The situation is such that, for lack of a gasket for the water pump, tractors are standing idle. These most powerful items are distributed by Agricultural Circles Cooperatives [SKR].

The constant severe shortage of tires creates a very basic menace. It is calculated that, due to this reason alone, there will be unavailable for the spring planting 40,000 tractors, 30,000 tractor-trailers, 13,000 manure spreaders, 10,000 lime and fertilizer spreaders, 7,000 claw loaders, and 1,500 self-running field chaffcutters.

The shortage of storage batteries is also annoying. Several POM's could recycle them on a broader scale, but industry, motivated by its own interests, allocates only a small number of lead plates. Moreover, despite the opposition of CZTOR, the use of a storage-battery housing which is ill-suited for recycling purposes is becoming universal. CZTOR representatives have often proposed that both oil filters and storage batteries be capable of being dismantled.

In conclusion, a few words on the services of POM for individual farmers. CZTOR has resolved that the POM's are to repair peasant tractors in first order, since the individual farmer usually has only one tractor and is consequently in a more difficult position than the State Farm [PGR], or the Agricultural Producer Cooperative [RSP].

With regard to spare parts for Soviet T-25 tractors, of which Poland has 50,000, all Commercial Agency for Agricultural Equipment [AGROMA] outlets which have such tractor users in their areas are to carry on wholesale or retail sale of the parts. This is in order to avoid "pilgrimages" to the base in Lipki near Czarna Bialostocka.

Let us hope that everyone will give solid support to the farmers in their toil. There is no more important issue today than an increase in food production.

Supply of Spare Parts

Warsaw ZYCIE WARSZAWY in Polish 24 Feb 81 p 1

[Article by Marek Przybylik]

[Text] Agriculture is spoken of and written about daily. Decisions which clearly give agriculture the green light have been made at the highest echelons.

They have been given the green light, the decisions have been made, and the reality of their implementation is worse. This is most clearly evident in supplies of spare parts necessary for the repair of farm machinery.

The current supply of parts is the worst in over 10 years. The Commercial Agency for Agricultural Equipment [AGROMA] has not confirmed deliveries of 6,000 kinds of spare parts. The lag in deliveries in January and February has caused a considerable delay in repairs. These are more serious than a year ago, and last spring it seemed that things could not be worse.

The most important task at present is the completion of tractor repairs. However, the list of the types of parts unavailable is very long. The shortage of crankshafts means that over 10,000 tractors await engine repair. The Central Administration of Engineering Service for Agriculture [CZTOR] calculates that agriculture will need approximately 22,000 crankshafts. The industry promised 16,000; now it has added more, but half of these are to be supplied in the fall, after the end of field work.

There is also a problem with gaskets. A small amount of these is supplied by the MORPAK plant in Gdansk and STOMIL in Sanok, but because of a lack of a trifle worth a few zlotys, tractors worth several hundred thousand zlotys stand idle. Without gaskets, engine repair plants may stand idle for several days. There is a need for 1.6 million gaskets. Of this, there are now 600,000 available, and only 100,000 are promised by the industry.

Next in the spare parts "top ten" of recent years are oil filters. At one time tractors had filters which were good for the whole service life of the machine. Then this filter was replaced with a one-time, changeable filter and immediately there was a problem. Agriculture needs 2 million of these filters, and the industry is providing about 500,000.

For years there have been problems with C-385 tractor parts. This year, the contract for a delivery from Czechoslovakia has not yet been signed. A year ago, the plant specializing in the repair of these tractors stood idle for several weeks. How will it be this year? The situation with regard to parts for machinery imported from the GDR, primarily field chaffcutters and hay presses, is very bad. State Machine Stations [POM] will be undertaking production of these parts, but this will begin only next year.

Agriculture needs 600,000 storage batteries, and the industry promises 330,000. POM can recycle storage batteries, but to do this it needs storage battery plates which are produced by the Poznan CENTRA. While 20 million of these plates are needed, CENTRA is providing only 2.5 million.

There is also a tire shortage. It is estimated that agriculture needs 3 million tires; the industry promises 1 million.

The list of shortages is a long one. If the supply of spare parts does not improve, this spring, instead of working in the fields, over 100,000 tractors, trailers, lime spreaders, manure spreaders and many other machines will be in the repair shop. This is causing the further exclusion of machinery from work. The lack of filters hastens the deterioration of engines, the lack of storage batteries ruins machinery, causes excessive fuel loss and so on and so forth.

Throughout the whole world money is made on spare parts. If our industry cannot do this, let it at least do its duty.

Situation in Various Localities

Warsaw DZIENNIK LUDOWY in Polish 25 Feb 81 p 7

[Reports by DZIENNIK LUDOWY correspondents Ewa Grunert (Gdansk Voivodship), Andrzej Zoltowski (Plock Voivodship) and Emilia Kedra (Bydgoszcz Voivodship)]

[Text] This year, more farm machinery needs to be repaired. Meanwhile, the deliveries of indispensable spare parts and various minor elements is running behind last year. It is likely that because of this many tractors and other equipment which are to be ready for spring field work will not be repaired in time.

At present, 30,000 tractors are in need of repair. Many of those which have been repaired cannot be put into service because they are lacking tires. The situation in the area of readying other farm equipment is likewise difficult. The production increase of spare parts which was announced last fall will not be adequately fulfilled. The agricultural machinery industry is not performing this task as it should be. Meanwhile, parts are now in greater demand than even new machines. What has already been produced must be put to good use in the first place.

Some repair plants are undertaking the production of certain elements within their own walls. Trade plants are also becoming involved in the production of parts. These are valuable initiatives, but they do not replace the efforts of industry.

The reports of our correspondents follow.

"Golden Hands" Are Not Enough

In Gdansk Voivodship, thus far only 75 percent of the potato-planting machines, suspended sprayers and mowers are ready. The most serious problem is that of spare parts. Sometimes it is a question of the smallest elements. There is a serious shortage of tires and storage batteries. As a consequence of the shortage of tires, 370 trailers are out of service.

Repairs of agricultural machinery this year are considerably delayed. The chronic lack of parts makes recycling necessary. However, repair shops are too poorly supplied with the needed repair equipment.

Parts are being produced more and more by a cottage industry method. It is impossible, for example, to get spray nozzles for sprayers. Coproducers always offer some excuse for this, but machinery repair must be executed on time. Despite the efforts of repair plants, chaffcutters produced in the GDR will stand idle, since the manufacturer has approved the implementation of only 13 orders for spare parts. The situation with regard to Polish-produced chaffcutters is similar: spare parts are lacking for these as well.

In the face of such a large shortage of materials and parts even the proverbial "golden hands" cannot do much. Generally speaking, spare parts supply is worse this year than last year.

Ewa Grunert

Tractors "Up on Blocks"

Far too many tractors and machines, which are shortly to embark on spring labors, are standing in repair shops due to a lack of parts.

In Plock Voivodship, such equipment as fertilizer spreaders, suspended sprayers, sowing machines and potato-planting machines are in relatively good condition. A dozen or so are still in the repair shop, or in the case of planters--32 machines.

There are 450 tractors permanently out of service in repair shops because of a shortage of storage batteries, starting devices, filters and tires. In the case of gaskets found under the machine head, mechanics are managing to make do thanks to the initiative of Agricultural Circles Cooperatives [SKR] in Brudzen, which has undertaken the experimental production of substitute elements with similar properties. The somewhat thicker gaskets produced by the SKR do cause a minimal reduction of the engine's energy, but they make it at least possible for the engine to be used at all.

Another positive solution is the opening of vulcanizing services in Bedlnia and Drobinia. However, delays are occurring here as well due to the lack of coal. To have tires retreaded, unfortunately one must travel to Wloclaw Voivodship. But recycling does not solve the problem. Due to a tire shortage, 250 tractors in Plock are not being put into service for spring labors, but are standing "on blocks."

In the case of some machines, particularly small machines, an interim solution is the lending of the equipment to farmers, who then have the indispensable repairs and replacement of damaged parts done in their area. Both parties undoubtedly profit by this, since the machines "work off" their time in exchange for the privately purchased parts, and there is no danger of damage to equipment lying around in a shop.

Andrzej Zoltowski

Looking For a Way Out

This spring, farming in Bydgoszcz Voivodship is not making use of its technical potential. Due to a lack of tires, for example, nearly one-fourth of the tractors in the voivodship are standing idle. The director of the Inowroclaw SKR, Stanislaw Matuszek, reports that at this time 200 tires are needed to put all types of tractors into service within the SKR itself. Many other spare parts, both for domestically produced machinery and imported machinery alike, are needed. The list of these parts is familiar to those at all levels of agricultural services and management.

What can be done to change this situation? Recently the voivodship authorities sent out an appeal to all factories in Bydgoszcz Voivodship to aid the farmers. They were requested primarily to undertake the production of spare parts for machinery and farm equipment. Tradesmen were also recipients of a similar appeal.

The recycling of replacement parts is to be carried out, insofar as this is possible within the conditions of a given plant. Many parts are produced in POM and SKR repair shops. These are not new practices. The lack of raw materials and technological gases limits current production.

Within the Bydgoszcz SKR, 15 units produce and recycle parts. The plant in Lubiewa has embarked upon the retreading of tires. But its work is merely a drop in an ocean of needs. Tires for recycling are transported from Bydgoszcz Voivodship to Jodlow in the Rzeszow area, and some go to Lubianka near Torun.

Emilia Kedra

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FOREIGN TRADE IMPORTS, EXPORTS FOR 1980 NOTED

Warsaw RYNKI ZAGRANICZNE in Polish No 10, 22 Jan 81 p 8

[Article by Ludwig Olejarz: "Our Exports and Imports in 1980"]

[Text] According to preliminary estimates, full implementation of planned export tasks for 1980 came up short by almost 3 billion foreign-exchange zlotys. Although admittedly the value of last year's deliveries was higher by more than 5 percent as compared to 1979, nonetheless a serious export deficit weighed unfavorably on last year's foreign-trade results, the more so as certain negative phenomena also ensued in the nation's imports.

The value of 1980's production earmarked for export amounted to 449.4 billion zlotys, i.e., merely 89.1 percent of the plan's assumed amount. For purposes of comparison, it should be noted that the plan's assumptions for completed market production were 102.3 percent, and production for supply, investment, or other was almost 100 percent. Therefore, export production in 1980 was the most poorly implemented task in the area of material production.

As a result, the share of export production in relation to total planned production was much lower, amounting to only 14.7 percent. As compared to the 13.2 percent share of exports in 1975, progress during the last 5 years in forming a proexport consciousness in the economy was very modest.

It is worth emphasizing that despite the unsatisfactory extent of the national implementation of tasks in this area, planned dimensions for export production were either achieved or exceeded in some provinces. Fulfillment of the annual plan in excess of 100 percent occurred in the following provinces:

Suwalki	107.0 percent
Konin	103.8 percent
Zamosc	102.8 percent
Elblag	102.7 percent
Krosno	101.8 percent

On the whole, however, only 10 provinces can lay claim to a complete implementation of tasks for export production.

The foreign-exchange value of last year's exports amounted to 49.7 billion zlotys. Completed planned tasks were merely 94.2 percent. This is to be sure 2.4 billion foreign-exchange zlotys more than in 1979, but considerably lower in necessities and foundation possibilities.

Turnover With the Socialist Countries

More advantageous in comparison with the export situation in general were deliveries made to payments area I countries. The export value to these countries was over 26 billion zlotys (98 percent fulfillment of the National Socioeconomic Plan). In such exports, the share of electrical machinery increased to almost 63 percent. It should be noted that deliveries of these manufactured goods achieved the planned value and were 2 percent higher than in 1979. On the other hand, not fulfilling the export plans to payments area I can be attributed above all to delays in the deliveries of basic commodities, primarily coal, soda, aluminum, copper and others.

In a manner similar to the implementation of export tasks, fulfillment of the annual import deliveries from the socialist countries takes shape (98.3 percent of the value of annual commitments). In 1980, the cumulative value of imports from the socialist countries reached 30.7 billion zlotys (CIF). In accordance with the assumptions, the mutual turnover balance with the socialist countries was negative, amounting to over 4 billion foreign-exchange zlotys.

The crucial role played by Poland's socialist allies in granting the country assistance during the second half of last year should be emphasized. That assistance, which exceeded contracted commitments made in annual protocols, included, among others, grain, foodstuffs, finished consumer goods, as well as many scarce raw materials and supply materials. To date, the cumulative value of contracted deliveries of market goods, raw materials and other materials amounted to 650 million foreign-exchange zlotys, although the value of implemented deliveries at the end of December was 470 million foreign-exchange zlotys. The largest share of additional deliveries came from the Soviet Union and the GRD at 265 and 61 million foreign-exchange zlotys, respectively.

On the other hand, import deliveries of exchangeable parts and basic goods as specified in the annual protocols were not implemented in full.

The country was unsuccessful in decreasing deliveries of capital investment equipment in proportion to reductions in general investment. The effects were very negative. Machinery and equipment from the socialist countries not designated for utilization or assembly for over 6 months increased very sharply in value at the end of December 1980 from 5.5 billion zlotys to 8.4 billion zlotys, i.e., by 53 percent. This is a problem for which a more effective solution must be found during the current year, both in the areas of planning and implementation.

Turnover With Other Countries

In comparison with results achieved in turnover with socialist countries, implementation of export tasks to payments area II countries was not as favorable. The achieved export value of 23.5 billion foreign-exchange zlotys in 1980 showed a 90.3 percent completion of the export plan. Despite the nonimplementation of tasks, however, growth in deliveries as compared to 1979 is considerable, accounting for over 11 percent.

The economy's achieved export effort should be judged as especially large in light of the fact that during the second half of last year export deliveries for many products were reduced. Only in the area of decreased coal production did losses in export amount to over 1.1 billion foreign-exchange zlotys. A crucial reduction in relation to the plan's assumptions also comprised significant amounts of other basic goods, such as copper, cement, sugar, oil, and so forth. The fundamental reasons for the lack of these goods are known, but the negative consequences for Poland's free foreign-exchange export and balance of payments are not always properly evaluated or seen.

Among goods produced by the electrical machine industry, a higher production capacity at a level of 114.5 percent was achieved as compared to the entire export average. Value of these deliveries amounted to 6.8 billion foreign-exchange zlotys, or 93.2 percent fulfillment of the plan.

Imports from payments area II countries achieved a value of 24.2 billion foreign-exchange zlotys (FOB), equalling that of 1979. The turnover balance for goods in relation to the National Socioeconomic Plan was negative and amounted to over 700 billion foreign-exchange zlotys. Taking into consideration, however, additional purchases in excess of the plan made to ameliorate market and industrial shortages, especially during the second half of 1980, the cumulative negative balance increased at the end of December 1980 to 2.2 billion foreign-exchange zlotys.

With regard to capital-expenditure imports, Poland continues to feel the results of a lack of proper coordination of deadlines in the purchase of machinery and equipment. According to conditions on 31 December 1980, the national value of machinery and equipment imported from payments area II but not distributed for over 6 months was 14.1 billion zlotys, higher by almost 3 percent as compared to 1979. It is necessary to learn well from this situation in order not to make superfluous capital-investment purchases this year that will strain the balance of payments. It also is necessary that departments dealing in Polish foreign trade cooperate more closely with investors and implement government resolutions regarding deferred capital investment.

The effects of exporting the building trade to payments area II countries should be positively evaluated, as a positive balance of over 250 million foreign-exchange zlotys was achieved from that particular export. This balance is almost 5 percent higher than the plan's assumptions and over 46 percent larger than construction completed in 1979.

Better Quality, Different Activity

A factor influencing the effectiveness of foreign trade in 1980 was the quality of exchangeable goods. During this period, a tendency ensued as compared to 1979 (over 34 percent) with respect to the value of goods returned from import, primarily due to poor quality. The value of these returned goods amounted to 60 million foreign-exchange zlotys. Included among firms delivering poor-quality goods, which Polish foreign-trade enterprises were forced to return, were the following: several Austrian (value of 14.5 million foreign-exchange zlotys), West German (12 million foreign-exchange zlotys), and French (4.5 million foreign-exchange zlotys).

or comparative purposes, it should be emphasized that the value of goods returned from Polish export is lower, amounting to not quite 43 million foreign-exchange zlotys. Of course, this is not a reason for self-appeasement or complacency, but for the sake of fairness, it can be objectively stated that for the past years the value of poor-quality goods returned from Polish export has systematically diminished.

Individual enterprises have implemented their respective foreign-trade tasks in a variety of ways. Among 41 foreign-trade units dealing in both payments areas, 10 enterprises either completed in full or exceeded their planned export tasks to payments areas I and II, realizing a higher level of deliveries than in 1979. The following enterprises, among others, are included here: AGROS, ELEKTRIM, IMPEXMETAL, METAEXPORT and CIECH.

Several enterprises are especially active in exporting to payments area II, considerably exceeding the national average. The following enterprises belong to a group of enterprises dealing with capital investment and electrical machinery: NAVIMOR (193.9 percent), CENTROZAP (163.1 percent), LABIMEX (137.4 percent), VARI-MEZ (126.3 percent) and ELEKTRIM (125.5 percent). Enterprises producing rotary goods include, among others, IMPEXMETAL (172.4 percent), CIECH (150.5 percent) and DAL (234 percent).

There are also many foreign-trade enterprises that did not fulfill their own established tasks, despite either securing perceptible export growth or attempting additional output. In the majority of cases, however, a complete fulfillment of tasks was impossible for objective reasons resulting from the country's general economic situation, especially the lack of goods.

This year, as a result of more realistic planned assumptions for foreign trade, a greater possibility exists that the vast majority of foreign-trade enterprises will be able to fulfill their tasks, primarily with regard to exports.

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METHODS OF PURCHASING SHIPS FOR MARITIME FLEET DESCRIBED

Warsaw *TECHNIKA I GOSPODARKA MORSKA* in Polish No 7, Jul 80 pp 349-351

[Article by Dr Wojciech Prokop, Polish National Bank, Warsaw: "Methods of Purchasing Ships by Polish Shipowners"]

[Text] The age of Polish ships, especially those of the Polish Ocean Line's (PLO) liner fleet, Gdynia, long ago have exceeded the permissible limit. This is true regarding not only depreciation but also the physical wear and tear on the ships. For example, the average age of the PLO's ships now is about 14 years, and over 65 of them, which is more than one-third of this shipowner's present tonnage, should be scrapped by 1985.

The renewal of the fleet, which is a matter of quality rather than quantity, is a problem of fundamental significance for Polish shipping enterprises when one considers that placing orders with Polish shipyards, which take pride in their modern and world-standard ship designs, is now exceptionally difficult. As a result, to prevent its fleets from aging rapidly and also to permit them to compete effectively in the international shipping market, Polish shipowners were forced to place orders with foreign shipyards to purchase ships on credit, with the credits and interest charges to be paid in convertible currencies.

The purpose of this article is to attempt to represent the direct effect on prime costs and the indirect effect on profits for Polish shipowners purchasing new ships abroad on credit or leasing terms using a simplified model and the method of comparative analysis. The purchase of an identical ship for cash is the point of reference.

First, a brief reminder is in order of some basic assumptions that exist in Polish shipping lines. For example, a ship purchased abroad on credit (commercial credit with a mortgage as a guarantee) is accounted for as follows:

--on the one hand, amortization is a cost-creating element; on the other hand, investment fund assets are increased by the same amount;

--interest paid on credit increases a shipowner's total costs;

--each repaid capital installment decreases a shipowner's investment fund assets, increasing at different times the enterprise's fixed assets fund prescribed by statute;

--the basis for the interest in the fixed assets fund prescribed by statute is the difference between the capital installments already paid and the reckoned amortization in accordance with the principle that the interest depends on the net worth of the fixed assets.

Table 1. The effect on a shipowner's prime costs, investment fund assets and amount of interest on fixed assets when purchasing a ship for cash (in thousands of zlotys)

(1) Stan w końcu roku	(2) Wpływ amortyzacji na całkowite koszty własne	(3) Wpływ na środki funduszu inwestycyjnego			(7) Kwota oprocentowania środków finansowych pomniejszająca akumulację
		(4) Amortyzacja	(5) Ai kredytu	(6) razem (3+5)	
1979	+ 25 000	+ 25 000	-1 200 000	-1 175 000	11 000
1980	+ 72 000	+ 72 000	=	= 72 000	= 21 000
1981	+ 72 000	+ 72 000	=	= 72 000	= 20 400
1982	+ 72 000	+ 72 000	=	= 72 000	= 19 800
1983	+ 72 000	+ 72 000	=	= 72 000	= 19 200
1984	+ 72 000	+ 72 000	=	= 72 000	= 18 600
1985	+ 72 000	+ 72 000	=	= 72 000	= 18 000
1986	+ 72 000	+ 72 000	=	= 72 000	= 17 400
1987	+ 72 000	+ 72 000	=	= 72 000	= 16 800
I półrocze 1987	+ 36 000	+ 36 000	=	= 36 000	= 8 400
Ogółem	+576 000	+576 000	-1 200 000	= 424 000	=424 000

Key: 1. Status at yearend 2. Effect of amortization on total prime costs 3. Effect on investment fund assets 4. Amortization 5. Credit installment 6. Together 7. Amount of interest on fixed assets decreasing accumulation 8. First half of 1987 9. Total

Table 2. The effect on a shipowner's prime costs, investment fund assets and amount of interest on fixed assets when purchasing a ship on credit (in thousands of zlotys)

(1) Stan w końcu roku	(2) Wpływ na całkowite koszty własne		(3) Wpływ na środki funduszu inwestycyjnego		(4) Kwota oprocentowania środków finansowych pomniejszająca akumulację	
	(5) Amortyzacja	(6) odsetek Ai kredytu	(7) razem (5+6)	(8) Amortyzacja	(9) Ai kredytu	(10) razem (8+9)
(9) Wariant A - półroczny okres karencji (16 rat płatnych co pół roku)						
1979	+ 25 000	+182 750	+ 207 750	+ 25 000	= 72 000	= 227 750
1980	+ 72 000	+141 750	+213 750	+ 72 000	= 180 000	= 252 750
1981	+ 72 000	+130 750	+202 750	+ 72 000	= 180 000	= 232 750
1982	+ 72 000	+ 99 750	+171 750	+ 72 000	= 180 000	= 252 750
1983	+ 72 000	+ 78 750	+150 750	+ 72 000	= 180 000	= 252 750
1984	+ 72 000	+ 87 750	+159 750	+ 72 000	= 180 000	= 252 750
1985	+ 72 000	+ 38 750	+110 750	+ 72 000	= 180 000	= 252 750
1986	+ 72 000	+ 13 750	+ 85 750	+ 72 000	= 180 000	= 252 750
I półrocze 1987	+ 36 000	=	+ 36 000	+ 36 000	= 72 000	= 108 000
Ogółem	+576 000	+714 000	+1 290 000	+576 000	-1 200 000	=424 000
(12) Wariant B - roczny okres karencji (15 rat płatnych co pół roku)						
1979	+ 25 000	+182 750	+ 207 750	+ 25 000	=	= 207 750
1980	+ 72 000	+151 250	+223 250	+ 72 000	= 180 000	= 255 250
1981	+ 72 000	+130 000	+202 000	+ 72 000	= 180 000	= 252 000
1982	+ 72 000	+108 400	+180 400	+ 72 000	= 180 000	= 252 400
1983	+ 72 000	+ 84 000	+156 000	+ 72 000	= 180 000	= 252 000
1984	+ 72 000	+ 61 000	+133 000	+ 72 000	= 180 000	= 252 000
1985	+ 72 000	+ 39 000	+111 000	+ 72 000	= 180 000	= 252 000
1986	+ 72 000	+ 16 000	+ 88 000	+ 72 000	= 180 000	= 252 000
I półrocze 1987	+ 36 000	=	+ 36 000	+ 36 000	=	= 72 000
Ogółem	+576 000	+714 000	+1 290 000	+576 000	-1 200 000	=424 000

Key: 1. Status at yearend 2. Effect on total prime costs 3. Effect on investment fund assets 4. Amount of interest on fixed assets decreasing accumulation 5. Amortization 6. Interest on credit 7. Together 8. Credit installment 9. Version A--6-month payment deferment period (16 installments payable semiannually) 10. First half of 1987 11. Total 12. Version B--12-month payment deferment period (15 installments payable semiannually)

Table 3. The effect on prime costs of purchasing a ship on leasing terms (in thousands of zlotys)

Key: 1. Status at yearend
2. Hire 3. Variation A--6-month payment deferment period (16 hire payments payable semiannually)
4. First half of 1987
5. Total 6. Variation B--12-month payment deferment period (15 hire payments payable seminannually)

TABL. 3. WPŁYW ZAKUPU STATKU NA WARUNKACH LEASINGOWYCH NA KOSZTY WŁASNE (W TYS. ZŁ)

(1) Stan w końcu roku	(2) „Hire”
(3) Wariant A — półroczny okres karencji (16 tenet dzierżawnych płatnych co pół roku)	
1979	+ 119 437
1980	+ 229 250
1981	+ 229 250
1982	+ 229 250
1983	+ 229 250
1984	+ 229 250
1985	+ 229 250
1986	+ 229 250
1987	+ 229 250
(4) I półrocze 1987	+ 119 618
(5) OGÓŁEM	+ 1 914 000
(6) Wariant B — roczny okres karencji (15 tenet dzierżawnych płatnych co pół roku)	
1979	+ 200 000
1980	+ 200 000
1981	+ 200 000
1982	+ 200 000
1983	+ 200 000
1984	+ 200 000
1985	+ 200 000
1986	+ 200 000
1987	+ 200 000
(4) I półrocze 1987	+ 120 000
(5) OGÓŁEM	+ 1 950 000

Key: 1. Method of purchasing ships 2. Effect on total prime costs increased by interest on fixed assets (in millions of zlotys)
3. Ratio (in points)
4. Purchase for cash 5. Purchase on credit 6. 6-month payment deferment period 7. 12-month payment deferment period
8. Lease-purchase

(1) Formy zakupu tonażu	(2) Wpływ na całkowite koszty własne powiększone o oprocentowanie środków trwałych (w mln zł)	(3) Ratacja (w punktach)
	1	2
(4) Zakup na gotówkę	738	1.00
(5) Zakup na kredyt		
a) 12-miesięcy karencji (6)	1 388	1.88
b) 12-miesięcy karencji (8)	1 388	1.88
(6) Zakup leasingowy		
a) 6-miesięcy karencji (7)	1 914	2.67
b) 12-miesięcy karencji (7)	1 950	2.73

Of course, it is much simpler when a purchase is made for cash, when the initial value of the purchased ship automatically and one time only decreases the investment fund assets and at the same time is the basis for reckoning the interest in the fixed assets prescribed by statute after adjusting it in the minus column by the amortization allowances already effected.

In the case of leasing, this problem is decidedly different because, unlike the previous two forms, the source for repayments here is not the shipowner's investment funds but his working capital. In the conventional form, leasing is a specific form of hire or a lease of moveable or immoveable fixed assets, making it possible for the enterprise using it in practice to use these assets without the necessity of purchasing them at the same time. The purchase of ships by leasing allows, for example, the assumption of ownership by the lease-purchaser under specified conditions after the lease expires. In principle, when ships are leased they are hired

under bare-boat charter terms--which are generally used in such cases--for a contracted term of several years or 10 years and more. A shipowner leasing a foreign ship under bare-boat charter terms pays the formal owner a hire fee and obtains a "bare" boat for his exclusive use. Under the specified terms of the leasing agreement, he also has the right to fly his own nation's flag over the leased ships.

In contrast to the purchase of ships on credit terms, where the repayment of the loaned capital and interest is covered directly by the credit holder and the sum of these two components tends to decrease as the credit is repaid (equal capital installments along with declining credit costs), hire payments remain constant throughout the duration of the lease and consist of three components: capital installments, credit costs and the profit of the leasing enterprise. Thus, in case of a lease-purchase on leasing terms with the simultaneous charter of a bare-boat, the repayment of credit is calculated according to lease rates and, in association with this, it is paid from the shipowner's working capital.

It is proper here to emphasize that in practice Polish shipping enterprises resort to two forms of leasing:

- a) leasing based on a conditional sales agreement along with the leasing of containers or other special equipment;
- b) leasing on lease-purchase terms used in conjunction with the lease-purchase of ships.

The difference in essence depends on whether under the terms of the conditional sales agreement a portion of the fixed assets automatically becomes the property of the payer with each hire payment, or if a lessee-purchaser under the lease purchase terms becomes the owner of the leased object for a symbolic amount only after the final hire payment is settled. In practice, this means that in case of the sudden financial collapse of the leasing enterprise, the first mentioned lease-purchase form is safer for the payer because under the lease-purchase terms a Polish shipowner-lessee of a ship does not decrease the accumulation by the interest on fixed assets up to the time the final hire payment even though the ship was used fully.

Systematic Assumptions

As a basis for comparison, the purchase of an average size con-ro (container-roll-on) ship for about \$30 million (about 1.2 billion soft-currency zlotys) was assumed. The comparison analysis was executed using soft-currency zlotys, eliminating such problems as the currency of the contract, the currency of payment and the problem of changes in quotations of the currency of payment. In addition, to simplify the effect on a shipowner's investment fund of the portion of the profit not considered in the analysis which a con-ro type ship earns in a given period, the following were taken into account in the analysis:

--The effect on a shipowner's total prime costs of amortization allowances amounting to 6 percent annually for the first 10 years of the ship's operation (when purchased for cash and on credit), the interest on borrowed credit (when purchased on credit) and the hire payment (when purchased on leasing terms);

--The effect on a shipowner's investment fund assets of amortization allowances (purchase for cash as well as on credit) and capital installment payments;

--The effect of interest on fixed assets amounting to 2 percent annually on the next value of a fixed asset (purchase of a ship for cash or on credit).

The analysis assumed an 8-year time period, from 30 June 1979 to 30 June 1987. This was dictated by the 8-year period for the repayment of medium-term consortium credit in use in the Euro-credit market, starting from the time the credit holder receives a ship. In the comparison analysis, it also was assumed that a ship purchased on credit is financed on conventional Libor (London Interbank Offered Rate) terms with the stipulation that the floating interest rate used in such a case was not assumed; instead, a constant annual interest rate of 12.5 percent was assumed. To simplify the analysis, variations in the Libor interest-rate quotations that depend on the current dollar-exchange rate was eliminated. Considering the financial status of the Polish shipowners, it was assumed that the bank profit margin, representing one of the constant components of consortium credit costs on the Euro-credit market, is 1.5 percent annually. Thus, total medium-term credit costs amount to 14 percent annually in the present model and approximate those now prevailing.

With reference to the hire payment when a ship is lease-purchased on leasing terms, it was established that it is the same throughout the lease period and consists of capital installments, interest on committed capital amounting to 11.5 percent annually and the profit of the leasing enterprise amounting to 2.5 percent annually. At the same time it should be emphasized that in order to give a certain type variety to the comparative analysis, two variations were assumed when purchasing a ship on credit and on leasing terms, namely: Variation I: The ship is delivered to the shipowner 30 June 1979 with a 6-month payment deferment period; Variation II: the ship is delivered to the shipowner on 30 June 1979 with a 12-month payment deferment period.

Results

The effect on prime costs, status of investment fund assets and the amounts remitted to the state budget on the basis of interest in shipowner's funds financing the fixed assets as well as the nonmaterial and lawful values decreasing the accumulation worked out by the shipowner are presented in Tables 1, 2 and 3.

They present several interesting aspects of the problem, namely:

1) During the 8-year period, from the moment the ship is transferred to the shipowner for operation, the status of the investment fund assets decrease by the same amount (624 million zlotys) regardless of whether the ship was purchased for cash or on credit (Table 1). Of course, the best situation in this regard is a lease-purchase.

2) When purchasing a ship for cash, the sums remitted to the state budget on the basis of the interest on net fixed assets are 2.5 times greater than the sums a shipowner remits when purchasing a ship on credit. It is a fact that when a ship is purchased on credit with a 12-month payment deferment period the sums remitted to the state budget on the basis of the interest on fixed assets is almost 10 percent

less than with a 6-month payment deferment period. This problem does not exist with a lease-purchase on leasing terms.

3) The most important differences occur regarding the overall effect on the total prime costs of a shipowner during the course of 8 years for specific forms of purchasing ships. In this regard, the most advantageous situation occurs when a ship is purchased for cash where amortization is the only cost-creating element. When purchasing a ship on credit, an additional but somewhat significant cost-creating element is the interest on the borrowed credit. In conjunction with this, it is characteristic that with a 12-month payment deferment period, the total interest on credit is almost 6 percent higher than with a 6-month payment deferment period.

No doubt, lease-purchase on leasing terms, where each paid hire payment is a cost-creating component, increases a shipowner's total prime costs most of all. A difference also occurs here in the effect on costs depending on the payment deferment period, but the percentage amount is much smaller since a shipowner's prime costs increase by 2 percent for a 12-month payment deferment period in comparison with a 6-month payment deferment period.

Conclusions

Assuming that the level of a shipowner's total prime costs and the sums remitted to the state budget on the basis of the interest on net fixed assets in the possession of a given ocean shipping enterprise affect the amount of profit earned by this economic organizational unit (plant and equipment) designated for further internal distribution, on the basis of data contained in Table 1 (columns 2 and 6), Table 2 (columns 4 and 8) and Table 3, Table 4 presents the:

--total charge on prime costs increased by the amount of interest on fixed assets remitted to the budget (column 2);

--the ratio between the presented sums with the additional assumption that the total sum for the 8-year period of the charges on a shipowner's total prime costs, on the basis of purchasing a ship for cash, together with the total amount of interest that is remitted during this same period to the budget equals 1.00 (column 3).

Table 4 shows that the most advantageous method for a shipowner, from the viewpoint of the effect on generated profit designated for further internal distribution, is to purchase a ship for cash. The amount of additional costs charged to an ocean shipping enterprise and interest on fixed assets, interest which is remitted to the budget and also decreases the amount of earned profit, are almost twice as much when a ship is purchased on credit and almost three times as much when a ship is lease-purchased on leasing terms. One can interpret inversely the results presented in Table 4, namely: in comparison with the purchase of a ship for cash, a ship obtained on credit, especially on leasing terms, should decidedly be better and more fully used by the shipowner to compensate for the negative effects of these two types of purchases on the level of profits earned by the enterprise that are designated for further internal distribution. This means that prior to making a decision to purchase a ship on credit, especially on leasing terms, a shipowner should have complete knowledge of current and near-future shipping opportunities which the new ships can

profit from, as well as undertake in advance an appropriate sales campaign. It also is important here that the shipowner know the situation regarding the technical service facilities available for the purchased, highly specialized ships in ports, not only destination and base ports but also ports enroute.

On the basis of the presented considerations, another problem (although paradoxical) appears. Contrary to the principle generally accepted throughout the world that the purchase of a ship on credit has the basic advantage, among others, that it does not force a credit holder to pay out his own money immediately and at the same time allows him to use it any way--in case of possession--Polish shipowners do not in practice have this advantage. The purchase of ships abroad on credit terms is not the result of an analysis of the advantage of such a transaction in comparison with the purchase of a ship for cash, but it is a matter of simple necessity. In any case, the renewal of the fleet would probably be impossible in general because Polish shipyards are not taking orders.

For example, the PLO, which has its own financial resources to purchase at any time several modern and highly specialized ships from Polish shipyards, is in practice forced to purchase ships abroad on credit for foreign-exchange currency and at the same time (and this should be emphasized) to "freeze" unproductively their own already mentioned resources in appropriate bank accounts. According to the obligatory economic-financial system, they, in principle, cannot be committed to purposes other than the planned domestic purchase of ships. Under present conditions, the rigid barrier that exists between funds designated for development activity (investment) naturally creates additional difficulties for Polish shipping enterprises and also is a factor hampering to a great extent the possibility of evaluating fully and objectively a shipowner's financial-payment situation.

The presented model and the conclusions based on it certainly can cause a number of doubts and controversy. However, it should be agreed by all that the present possessions of the Polish fleet, considering its competitiveness in the international shipping market, are starting to cause increasing concerns. In conjunction with this, the problems concerning the forms and methods of renewing the fleets of the Polish shipowners (in a relatively very short time span) have become very significant.

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SHIP STATUS OF POLISH OCEAN LINES LISTED

Warsaw MORZE in Polish No 1, Jan 81 pp 11-13

[Article by Jerzy Micinski]

[Text] The Polish Ocean Lines [PLO] has been in existence for 30 years now. So many years have passed since January 1951 when the Polish Ocean Lines in Gdynia, Polish Steamship Co [PZM] in Szczecin, and the Polish Ship Salvage Co [PRO] were created as a result of a general reorganization of the Polish Merchant Marine [PMH], incorporating already existing prewar shipping companies such as the Gdynia-America Ocean Lines, Polish Shipping Co, and Polish-British Ship Co. This anniversary year marks the beginning of a sort of internal revolution at the PLO caused by the introduction of the first oceangoing container ships in its service. Let us note that the problems brought up by this revolution are discussed by one of the PLO managers on the preceding pages in this magazine. What happened was that after the delivery in 1980 of the semicontainer ships by the Canadian shipyards (which will be discussed below) two other contracts, mentioned in this magazine earlier, entered a more advanced production stage. These were: a contract with the French shipyards for four conro (a cross between a container ship and a vehicle carrier) ships, or container-roll-ons, and a contract with the Spanish shipyards for four roll-on-roll-off ships. The first French ship, christened TADEUSZ KOSCIUSZKO, was launched at the Le Ciotat shipyards on 30 September 1980. MORZE reported this event in the December issue. Unfortunately, all contracts that the PLO had with the Polish shipyards reached their completion stage as well. After a few deliveries in 1980 the next few years do not envisage any construction of new ships by Polish shipyards for the Polish ship companies. For even if our shipbuilding industry could find and utilize right now the existing untapped production capacities and signed a contract with the PLO today (I am writing these words in the last days of November 1980) the earliest delivery could be expected not earlier than in 1983! Just think of it--we are building for foreigners beautiful ships which are indispensable to us. I am not against shipbuilding for export and its importance for the national gross product and its significant position in our foreign trade. However, a third of the production of our shipyards must be used in the service of the white and red colors, and specifically utilized in the just-started (based on foreign deliveries) modernization and reconstruction of our liner tonnage. And what will happen after the completion of the eight ships for the PLO by the French and the Spanish? A several-year break?

But let us look at the past, to 1980, which at the PLO meant an insignificant addition of five ships and an identical five-ship loss. The increase was so small only because it was artificially slowed down.

The basic group among the units obtained last year consisted of the remaining semicontainer ships, named after painters, and received from the Canadian shipyards at Sorel (technical descriptions and plans were published in MORZE of March 1980). The second of these ships, JOZEF CHELMONSKI, was launched in January, but both the PLO and this magazine ("What's New Under the Polish Colors"--MORZE, February 1980) included it in the 1979 acquisition schedule. On 25 April, the third container ship, ARTUR GROTTER, was launched, and on 2 August we received the fourth and last, which had its name unceremoniously changed from WOJCIECH KOSSAK to BOLESŁAW RUMIŃSKI.

The B-467 series of fast semicontainer ships from the Adolf Warski Shipyards in Szczecin was supposed to consist of four ships as well; it was called a "writers" series (technical descriptions and plans were published in MORZE of January 1979). However, the shipbuilding industry "cut" the fourth one from the PLO order and the series ended on the third. After JOZEF KONRAD KORZENIOWSKI (1978), and ADAM MICKIEWICZ (1979) the shipyards launched last year GENERAL F. KLEEBERG, which was supposed to be named JULIUSZ SŁOWACKI. It was launched with a considerable delay on 11 October 1980, due to the August events on the coast. This was the last unit in the series of the fastest ships in the Polish Merchant Marine; their speed exceeds 25 knots.

The same year, the B-437 series of three refrigerated-banana carriers (technical descriptions and plans were published in MORZE of April 1979) was completed. The Lenin Shipyards in Gdansk built them in coproduction with the Portuguese Arsenal do Alfeita and Lisnave shipyards (constructed hulls based on our documentation) for the PLO. These are beautiful ships and very useful. After DZIECI POLSKIE and GDYŃSKI KOSYNIER, the third--ZYRARDOW--was launched on 10 April 1980.

To close last year's acquisitions of the PLO, I selected the most interesting ship--the forerunner of the coming transformations that our liner fleet will have to undergo in the nearest future. This is our first real vehicle carrier, INOWROCLAW (technical descriptions and plans were published in MORZE of June 1980). It was built by the Finnish shipyards, Rauma-Repola, and the launching took place on 9 April 1980. This specialized ship together with the British BALTIC EAGLE almost completely took over our trade exchange with Great Britain, releasing from this service five conventional units. This fact directly reflects on last year's and this year's scrappings, because the old ships from the British lines are of no further use to the PLO.

Thus, we have come to the scrappings. Lately they illustrate well how many PLO ship series--which it seems not so long ago were so enthusiastically described in our articles, welcoming them under our colors--reached old age. First of all the B-54 type 10,000-ton ships, which in the 1960's gave great publicity to our Gdansk Shipyards and allowed our shipping expansion to Japanese and Australian waters. This series has been shrinking in the last few years; the oldest ships, equipped with our nonstandard Fiat engines, are being withdrawn first. In 1980, MARCELI NOWOTKO, built in 1956 prototype of the B-54 series, was scrapped. She left the Polish colors on 8 February for the Japanese scrap yard, which bought her. A similar fate awaits the FLORIAN CEYNOWA (built in 1957 in the first few months of this year. In the fall of 1980, she left Gdynia for her last operating trip, and she will not return to Poland. The next ship selected for scrapping this year is the JAN MATEJKO (built in 1959).

The second series, gradually being scrapped, are the famous--"ice"--6,000-ton ships of the B-55 type, built in Szczecin. The prototype KRYNICA was sold back in 1978. Last year LEGNICA (built in 1960) followed her path after she had been bought by a Greek shipowner. OLESNICA (built in 1959) will follow this year.

The historical B-50 "Levant" series has already disappeared from our fleet; the last ship, GDANSK, was sold in 1979. In 1980, the next series of the improved "Levant" series--B-59 type--was selected for scrapping. The OLIWA prototype of 1959 was sold to a Lebanese shipowner last March. This year the ships OLKUSZ (built in 1960) and the nonstandard MONTE CASSINO (built in 1958) will be scrapped. This general cargo ship was adapted from the 5,000-ton coal carrier through installation of the Stork engine obtained from the wreck of the unfinished passenger liner WARSZAWA (it was captured by the Germans when they entered the Dutch shipyards, where this ship was being built, in 1940). The acquisition of INOWROCLAW and the establishment of the Polish-British roll-on-roll-off ship service between our ports and Great Britain made obsolete and unnecessary and continuation of service by the B-513 type series of small refrigerated ships of which the Koruna Paryska Shipyards in Gdynia were so proud (the prototype WOLIN years ago won the title of the most beautiful ship using the services of the Kiel Canal). In November 1980, the MODLIN (built in 1961) was sold to a Panamanian shipowner; this year the DEBLIN (1961) and the WOLIN (1960) will follow.

And finally comes a group of the smallest PLO ships, the B-57 type general cargo ships, known as the "fable" series, from the Komuna Paryska Shipyards. Out of seven ships from this series in the PLO service (the remaining ones service the Polish Baltic Shipping Co) four were transformed into delivery container ships (three of them had their hulls extended by 6.5 m). The remaining units lost their usefulness, so in November 1980, the SKIERKA (built in 1960) was sold to a Dutch shipowner, while the CHOCHLIK (1960) and the WODNICA (1962) will either be sold soon or taken by the Polish Baltic Shipping Co.

So much for last year's scrappings. As can be seen, unlike the bleak year of 1979, last year was generous to the Gdynia Shipping Co in terms of mechanical failures, and none of its ship was lost due to sinking, fire, etc.

The PLO In Numbers

Year 1951:

43 ships--214,920 deadweight tonnage (DWT)
12 shipping lines (4 ocean lines)
3,000 employees, including 2,272 sailors
2,750,000 tons in transport service

Year 1981:

172 ships--1,158,000 DWT
31 shipping lines (16 ocean lines)
11,391 employees, including 8,996 sailors
4,976,000 tons in transport service

The PLO Fleet as of 1 January 1981

(Note: In descriptions of ships the data consists of total length, engine power in kilowatts--kW and in horsepower--HP, and speed with full load. The ship names are accompanied with the launching date, capacity in BRT, [Gross Registered Tons] and deadweight tonnage--DWT)

Passenger steamer (turbine engine), nonstandard, built at Wilton-Fijenoord in Schiedam-Rotterdam (The Netherlands), length: 153.4 m, engine, 6,250 kW (8,500 HP), speed: 16.5 knots.

STEFAN BATORY	1952	15,044	BRT	7,170	DWT
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Train-vehicle ferries, built at Trosvik Verksted A/S in Brevik (Norway), length: 125.6 m, engine: 5,412 kW (7,360 HP), speed: 16.7 knots.

JAN HEWELIUSZ	1977	3,015	BRT	2,035	DWT
MIKOLAJ KOPERNIK	1974	2,898		2,350	

B-467 fast semicontainer ships, built at Adolf Warski Shipyards in Szczecin, length: 190.3 m, engine: 24,288 kW (33,000 HP), speed: 25 knots.

ADAM MICKIEWICZ	1979	17,552	BRT	17,235	DWT
GENERAL FR. KLEEBERG	1980	17,495		17,243	
JOZEF CONRAD KORZENIOWSKI	1978	17,552		17,245	

Fast semicontainer ships, built at Marine Industries Ltd. in Sorel (Canada), length: 168.4 m, engine: 17,075 kW (23,200 HP), speed: 21.4-22 knots.

ARTUR GROTTER	1980	13,024	BRT	17,064	DWT
BOLESŁAW RUMINSKI	1980	13,024		17,057	
JACEK MALCZEWSKI	1979	13,008		17,057	
JOZEF CHELMONSKI	1979	13,012		17,093	

B-340 fast semicontainer ships, hulls built at Brodogradiliste Uljanik in Pula and at Brodogradiliste Split in Split (Yugoslavia), equipped at Adolf Warski Shipyards in Szczecin, Komuna Paryska Shipyards in Gdynia, and Lenin Shipyards in Gdansk; length: 180.4-180.8 m; 17,075 kW (23,200 HP); 21-22 knots.

PROFESOR MIERZEJEWSKI	1979	10,725	BRT	13,698	DWT
		16,359		15,389	
PROFESOR RYLKE	1978	10,763		13,873	
		16,396		15,613	
PROFESOR SZAFER	1978	10,719		13,873	
		16,424		15,613	

Formerly Finnish nonstandard general cargo ships, built at Rauma Repola OY in Rauma (Finland); 150.6 m; 7,610 kW (10,350 HP); 18 knots.

FRYCZ-MOLRZEWSKI	1968	6,970	BRT	11,838	DWT
		9,637		14,605	
MIKOLAJ REJ	1969	6,970		11,838	
		9,637		14,605	

"Hel"-type fast general cargo ships, built at Nakskov Skibsvaerft in Nakskov (Denmark); 166.6 m; 14,706 kW (20,000 HP); 20.7 knots.

HEL	1970	7,704	BRT	9,754	DWT
		10,970		14,170	
JASTARNIA BOR	1971	7,691		9,745	
		7,678		9,745	
JURATA	1970	10,960		14,150	
		10,950		14,150	
KUZNICA	1971	7,672	BRT	9,745	DWT
		10,946		14,150	
WLADYSLAWOWO	1971	7,658		9,745	
		10,930		14,150	

Formerly Swedish nonstandard general cargo ship, built at Eriksbergs Mekaniska Verkstads in Goteberg (Sweden); 156.2 m; 8,824 kW (12,000 HP); 19 knots.

PULAWY	1966	7,272	BRT	10,800	DWT
		10,715		13,411	

B-442 general cargo ship, built at the Lenin Shipyards in Gdansk; 154.6 m; 7,059 kW (9,000 HP); 15.7-18 knots.

KONIN	1968	6,382	BRT	9,750	DWT
		10,063		12,250	
SWIECIE	1971	6,392		9,833	
		10,073		12,333	
WRSUS	1972	6,378		9,813	
		10,071		12,313	

B-438 fast semicontainer ships, built at the Lenin Shipyards in Gdansk; 161 m; 12,794 kW (17,400 HP); 21 knots.

BRONISLAW LACHOWICZ	1974	6,957	BRT	9,346	DWT
		10,129		11,632	
GEN. STANISLAW POPLAWSKI	1974	6,940		9,346	
		10,112		11,632	
EUGENIUSZ KWIATKOWSKI	1975	6,957		9,512	
		10,129		11,812	
FRANCISZEK ZUBRZYCKI	1973	7,152		9,398	
		10,116		11,684	
MICZYSLAW KALINOWSKI	1973	7,148		9,398	
		10,112		11,684	
ROMAN PAZINSKI	1975	6,959		9,346	
		10,130		11,632	
TADEUSZ OCIOZYNSKI	1976	6,964		9,512	
		10,229		11,812	

B-54 and B-454 general-cargo ships (several types and varieties), built at the Lenin Shipyards in Gdansk and A. Warski Shipyards in Szczecin; 153-154.1 m; 5,735-5,882 kW (7,800-8,000 HP); 13.7-16.4 knots.

ADOLF WARSKI	1959	6,718	BRT	10,190	DWT
ANDRZEJ STRUG	1963	6,919		10,526	
EMILIA PLATER	1959	6,718		10,350	
FLORIAN CEYNOWA	1957	6,784		10,500	
HANKA SAWICKA	1962	6,944		10,093	
HANOI	1960	6,914		9,953	
JAN MATEJKO	1959	6,748		10,183	
JANEK KRASICKI	1960	6,904		10,086	
LELEWEL	1962	7,817		10,290	
LUDWIK SOLSKI	1960	6,904		10,086	
PEKIN	1960	6,914		9,951	
PHENIAN	1961	6,923		10,124	
WIADYSLAW BRONIEWSKI	1963	6,919		10,526	

B-41 general cargo ships, built according to a Polish design at Helsingør Skibsværft in Helsingør and at Nakskov Skibsværft in Nakskov (Denmark); 153-153.6 m; 5,625-6,176 kW (7,650-8,400 HP); 15.6-16 knots.

GRUNWALD	1968	6,913	BRT	10,639	DWT
		10,188		12,059	
STEFAN CZARNIECKI	1967	6,869		10,625	
		10,208		12,045	
WESTERPLATTE	1967	6,891		10,625	
		10,189		12,045	

B-41 general cargo ships (two types and several varieties), built at Komuna Paryska Shipyards in Gdynia (four hulls were built at foreign shipyards in Seville and Viana do Castelo and equipped in the shipyards of Szczecin and Gdynia); 152.5 m; 5,294 kW (7,200 HP); 15.3-18 knots.

ALEKSANDER ZAWADZKI	1965	7,730	BRT	9,595	DWT
		8,681		11,855	
FRANCESCO NULLO	1963	5,668		9,660	
		8,620		11,600	
GUARDIA LUDOWA	1968	5,621		9,582	
		8,590		11,872	
JOZEF WYBICKI	1967	5,713		9,425	
		8,644		11,775	
LENINGRAD	1965	5,730		9,595	
		8,682		11,855	
LENINO	1964	5,667		9,656	
		8,614		11,946	
MAJOR SUCHARSKI	1973	5,817		9,210	
		8,756		12,120	
MARIAN BUCZEK	1974	5,786		9,219	
		8,722		12,129	
PIOTR DUNIN	1966	5,703		9,534	
		8,650		11,840	
PULKOWNIK DABEK	1969	5,797		9,349	
		8,731		12,259	
SMOLNY	1968	5,736		9,470	
		8,718		11,760	
STANISLAW DUBOIS	1965	5,729		9,657	
		8,679		11,947	

B-516 general cargo ships (two versions), built at A. Warski Shipyards in Szczecin; 145.7 m; 5,735 kW (7,800 HP); 17.2-17.3 knots.

CZACKI	1965	5,576	BRT	8,553	DWT
DOMEYKO	1962	5,698		8,614	
HENRYK JENDZA	1966	5,581		8,745	
HEWELIUSZ	1962	5,700		8,614	
K.I. GALCZYNSKI	1964	5,584		8,553	
PAWEŁ SZWYDKOJ	1965	5,403		8,732	
ROMER	1964	5,587		8,553	
STASZIC	1963	5,702		8,682	
SNIADECKI	1963	5,701		8,653	

B-516 general cargo ships, constructed according to a Polish design, built at Brodogradilište "3 May" in Rijeka (Yugoslavia), at Chantiers de Normandie in Grand Quevilly (France), and at Elsinore S.B. in Helsingør (Denmark); 138.8-148.3 m; 5,294-5,735 kW (7,200-7,800 HP); 15.3-16.4 knots.

KOCHANOWSKI	1962	5,731	BRT	8,666	DWT
		8,231		10,749	
NORWID	1962	5,512		8,615	
		7,829		10,795	
SIENKIEWICZ	1959	5,264		8,760	
		7,675		10,660	
WYSPIANSKI	1962	5,731		8,646	
		8,225		10,744	
ZEROMSKI	1960	5,309		8,540	
		7,687		8,850	

B-445 general cargo ships, built at A. Warski Shipyards in Szczecin; 145.3 m; 5,882 kW (8,000 HP); 16.3-17.6 knots.

BOLESŁAW CHROBRY	1967	5,527	BRT	7,915	DWT
		8,427		9,895	
BOLESŁAW KRZYWOUSTY	1970	5,367		8,137	
		8,146		11,627	
BOLESŁAW ŚMIALY	1967	5,527		7,773	
		8,429		10,042	
MIESZKO I	1967	5,513		7,880	
		8,408		10,180	
WŁADYSŁAW JAGIELLO	1971	5,369		8,180	
		8,148		11,570	
WŁADYSŁAW ŁOKIETEK	1972	5,375		8,250	
		8,160		11,625	
ZYGMUNT AUGUST	1971	5,376		8,250	
		8,160		11,625	
ZYGMUNT STARY	1971	5,376		8,258	
		8,160		11,638	
ZYGMUNT III WAZA	1972	5,369		8,258	
		8,152		11,638	

Nonstandard general cargo ship, built at Paul Lindenau Shipyards in Kiel (West Germany); 125.2 m; 3,273 kW (4,450 HP); 12 knots.

LEONID TELIGA	1969	2,948	BRT	5,730	DWT
		5,079		7,480	

Vehicle carrier (roll-on-roll-off-ship), built at Rauma Repola OY in Rauma (Finland); 137.2 m; 10,592 kW (14,400 HP); 18 knots.

KNOWROCLAW	1980	6,408	BRT	7,203	DWT
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B-437/III refrigerated banana carriers with hulls constructed at Marinha Arsenal de Alfeite in Alfeite (Portugal) and equipped at the Lenin Shipyards in Gdansk; 139.6 m; 9,715 kW (13,200 HP); 22.6 knots.

DZIECI POLSKIE	1978	3,299	BRT	3,890	DWT
		6,414		5,657	
GDYNSKI KOSYNIER	1979	3,299		3,890	
		6,414		5,657	
ZYRARDOW	1980	3,299		3,229	
		6,414		5,640	

B-446 general cargo ships, built at A. Wareski Shipyards in Szczecin; 135.3 m; 5,294 kW (7,200 HP); 17.3-17.4 knots.

ZABRZE	1969	4,183	BRT	5,464	DWT
		6,581		7,039	
ZAKOPANE	1968	4,181		5,541	
		6,576		7,081	
LUBLIN	1966	3,425		5,320	
		5,536		5,985	
LODZ	1966	3,424		5,384	
		5,525		6,043	
RADOM	1967	3,420		5,320	
		5,523		5,985	
RZESZOW	1966	3,417		5,320	
		5,518		5,985	
TORUN	1966	3,417		5,320	
		5,515		5,985	
WARSZAWA	1967	3,419		5,320	
		5,523		5,985	

B-432 general cargo ships (two varieties), built at A. Wareski Shipyards in Szczecin; 123.7-123.9 m; 4,485 kW (6,100 HP); 15.5-17 knots.

BOCHNIA	1976	3,541	BRT	5,172	DWT
		5,545		6,372	
CHELM	1976	3,541		5,183	
		5,545		6,388	
GARWOLIN	1973	3,538		5,180	
		5,542		6,380	
OSTROLEKA	1973	3,538		5,180	
		5,542		6,380	

RADZIONKOW	1972	3,539	BRT	5,180	DWT
		5,543		6,380	
SIEMIATYCZE	1976	3,541		5,190	
		5,545		6,390	
SKOCZOW	1977	3,541		5,187	
		5,545		6,387	
WIELICZKA	1973	3,539		5,215	
		5,543		6,380	

B-511 general cargo ship, built at the Gdansk Shipyards and Komuna Paryska Shipyards in Gdynia (based on a B-31 coal-carrier hull); 108.3 m; 1,544 kW (2,100 HP); 12.3 knots.

MONTE CASSINO	1958	3,724	BRT	5,024	DWT
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B-49 general cargo ships (Polish design), built at Aalborg Vaerft in Aalborg (Denmark); 114.5 m; 3,603 kW (4,900 HP); 16 knots.

LECHISTAN II	1967	2,968	BRT	4,600	DWT
LEWANT II	1967	2,972		4,600	

B-49 general cargo ships, built at A. Warski Shipyards in Szczecin; 113.4-113.7 m; 3,382 kW (4,600 HP); 15 knots.

GLOGOW	1963	2,872	BRT	4,568	DWT
GORLICE	1964	2,870		4,575	
GRUDZIADZ	1963	2,872		4,561	

B-59 general cargo ships, built at A. Warski Shipyards in Szczecin; 114.1 m; 3,059 kW (4,160 HP); 15.6-15.8 knots.

OJCOW	1960	2,961	BRT	4,542	DWT
OLKUSZ	1960	3,031		4,542	
ORLOWO	1959	2,950		4,494	
ORNETA	1962	3,021		4,419	

"S" general cargo ships, built at Aalborg Vaerft in Aalborg (Denmark); 99.6 m; 1,654-2,022 kW (2,250-2,750 HP); 12.7-14.4 knots.

SANDOMIERZ	1966	1,986	BRT	3,035	DWT
		3,021		3,645	
SANOK	1966	1,983		3,015	
		3,011		3,625	
SLUPSK	1966	1,940		3,015	
		2,965		3,625	
SOPOT	1966	1,981		3,035	
		3,008		3,645	

Modified "S" refrigerated ship, built at Aalborg Vaerft in Aalborg (Denmark); 101.4 m; 2,206 kW (3,000 HP); 15 knots.

JASLO	1967	2,309	BRT	3,350	DWT
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B-451 general cargo ships (first version), built at G. Dimitrov Shipyards in Varna (Bulgaria); 95.6-95.9 m; 1,654 kW (2,250 HP); 12-13 knots.

JELEŃIA GORA	1967	2,554	BRT	3,417	DWT
KOŁODRZEG II	1966	2,532		3,420	
OSWIECIM	1966	2,547		3,420	
PŁOCK	1967	2,555		3,420	
RYBNIK	1967	2,566		3,417	
ZYWIEC	1967	2,561		3,420	

B-472 general cargo ships (with the Finnish ice category), built at the Lenin Shipyards in Gdansk; 106.4 m; 2,868 kW (3,900 HP); 14.2 knots.

KWIDZYN	1974	2,805	BRT	3,360	DWT
LEBORK	1975	2,805		3,408	
WEJHEROWO	1975	2,805		3,408	

B-452 general cargo ships, built at Santierul Naval in Turnu-Severin (Romania); 85.9 m; 1,654 kW (2,250 HP); 14-14.3 knots.

BUSKO ZDROJ	1971	1,155	BRT	1,432	DWT
		1,974		1,902	
CIECHOCINEK	1970	1,159		1,434	
		1,974		1,904	
CIEPLICE ZDROJ	1971	1,170		1,439	
		1,992		1,909	
DUSZNIKI ZDROJ	1971	1,160		1,432	
		1,978		1,902	
IWONICZ ZDROJ	1971	1,170		1,439	
		1,992		1,911	
KARPACZ	1972	1,172		1,443	
		1,991		1,915	
KUDOWA ZDROJ	1972	1,171		1,450	
		1,991		1,920	
NALECZOW	1970	1,156		1,454	
		1,971		1,924	
POLCZYN ZDROJ	1970	1,156		1,432	
		1,969		1,902	
RABKA ZDROJ	1972	1,171		1,450	
		1,990		1,920	
SWIERADOW ZDROJ	1972	1,171		1,450	
		1,990		1,920	
SWINOUJSKIE	1969	1,164		1,434	
		1,982		1,904	

B-513 refrigerated ships (two versions), built at Komuna Paryska Shipyards in Gdynia; 86.5 m; 1,654-1,691 kW (2,250-2,300 HP); 14.5 knots.

DEBLIN	1961	1,269	BRT	1,702	DWT
KOSZALIN	1961	1,273		1,592	
WOLIN	1960	1,272		1,590	

Nonstandard vehicle carrier, built at Astilleros Construcciones in Vigo (Spain); 79.5 m; 2,316 kW (3,150 HP); 14 knots.

STAROGARD GDANSKI	1971	936	BRT	1,881	DWT
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Nonstandard delivery-container ship (adapted in 1973 from a general cargo ship), built at Ottensener Eisenwerk in Hamburg (West Germany); 66 m; 735 kW (1,000 HP); 11.5 knots.

LIWIEC	1956	927	BRT	1,445	DWT
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B-458 general cargo ships (with the Finnish ice category), built at Komuna Paryska Shipyards in Gdynia; 69-69.1 m; 993 kW (1,350 HP); 11.5 knots. ANDRZEJ BOROWY was transformed into a delivery-container ship; the same is in store for other ships.

ANDRZEJ BOROWY	1963	1,199	BRT	1,169	DWT
KAPITAN KANSKI	1963	1,204		1,314	
KAPITAN H. STANKIEWICZ	1963	1,205		1,312	
KAPITAN ZIOLKOWSKI	1963	1,204		1,309	
MARYNARZ MIGALA	1963	1,204		1,315	

B-57 general cargo ships, built at Komuna Paryska Shipyards in Gdynia; 65.8 m; 706 kW (960 HP); 10-12.1 knots. The first one, CHOCHLIK, serves as closed-shelter-deck ship; SKRZAT, SYRENKA, WILA and WROZKA were transformed into delivery-container ships and all of them with the exception of CHOCHLIK were extended to 72.3 m.

CHOCHLIK	1960	1,006	BRT	1,308	DWT
SKRZAT	1961	999		1,115	
SYRENKA	1961	1,136		1,356	
WILA	1962	1,136		1,340	
WODNICA	1962	497		893	
		977		1,284	
WROZKA	1962	1,135		1,326	

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DEVELOPMENT OF CHEMICAL INDUSTRY OUTLINED

Warsaw CHEMIK in Polish No 12, Dec 80 pp 357-359

[Article by Jerzy Gdynia Ph D: "Polish Chemical Industry in the Current Economic Situation" --Passages enclosed in slantlines printed in boldface]

[Text]

I

It is common knowledge that the causes of the current crisis in our country were faulty economic policies, wishful thinking and a disregard for sound economic principles.

According to POLITYKA (No 41, dtd 11 Oct 80) the synthesis of a crisis is based on:

- a tremendous burdening of the national economy with outlays, coupled with a deterioration of their structure by capital-intensive enterprises with a long formative cycle;
- a highly disproportional increase in the national debt in excess of all assets and with improper utilization of credits;
- a spontaneous formation of economic ratios, though in reality without a plan;
- a failure to create conditions for development of agriculture;
- a spontaneous increase in consumption under the influence of irresponsible policies of raising wages and incomes.

The first three points pertain in particular to the Polish Chemical Industry. As is already known, this industry, during the initial 25 years (1945-1970), received a green light from the authorities, and underwent a resilient development with a growth rate exceeding by 50 percent the growth rate of industry as a whole.

At the beginning of the seventies it appeared that the development of the chemical industry would experience further growth. The then (newly created) departmental leadership had presented in 1972, to the authorities, a "program of chemical development of the national economy," until 1990. This program envisaged an almost tenfold growth of production potential over the 1970-1990 period, with expenditures far in

excess of 1 trillion in investment outlays. In 1973, this program was accepted by the Political Bureau and in doing so acquired a sort of legitimacy.

Today, we can state with certainty that the fact of acceptance of this program was among the causes of a list of wrong decisions, and of the impasse which the Polish Chemical Industry is undergoing today. Even if an average worker in the chemical industry (cut off from information), could experience an illusion of great developmental possibilities, the contemporary decisionmakers were (or should have been) sufficiently knowledgeable to realize that there are no financial and no physical (creative forces) possibilities of a realization of this program.

From the same period date several construction concepts concerning gigantic facilities, for example, the largest factory of Carbon Disulphide (200,000 tons yearly) in the world, oriented almost exclusively toward exports (domestic needs do not surpass 40,000 tons), construction of the "Police II" fertilizer combine which, with the already existing potential of Police I, will again result in a "largest in the world" fertilizer factory, with an annual output of 7 million tons of marketable materials, etc.

As the years went by, there appeared a gradually shrinking series of the chemical development program, however, each one appeared to be equally "written on water." In the February 1979 version, the following needs were envisioned in the area of investment outlays:

for 1979 -- 70 billion zlotys
for 1980 -- 80 billion zlotys
for the period 1981-85 -- 400 billion zlotys
for the period 1986-90 -- 650 billion zlotys

The actual appropriations for the years 1979 and 1980, did not even attain 50 percent of the stipulated sums.

Presented below are some production data (Table 1), extracted from the above-mentioned version of the "program" (February 1979) pertaining to the year 1980. The figures are self-explanatory and require no comment.

Table 1

Specification	Excerpt from the Feb. 1979 program version			Planned fulfillment according to the current understanding
	Program from 1972	According to the 5-year plan	Planned fulfill- ment	
Crude oil refining; 1,000,000 tons	28	20	18-19	16-17
Sulphur mining; 1,000,000 tons	6.3	5.5	5.0	4.8
Nitrogen fertilizers; 1,000 tons	2,240	1,850	1,620	1,400
Phosphate fertilizers; 1,000 tons	1,300	1,140	1,040	950
Plastics; 1,000 tons	980	875	655	450
Synthetic fibers; 1,000 tons	255	172	162	160

One can only imagine what kind of chaos was created in the offices which had prepared stock inventories, and in enterprises engaged in coproduction, which were committed either to satisfy new material needs or to the furthering of the quantitatively "planned" finished products.

An added contributing factor was a worldwide energy crisis with all its manifestations and consequences.

In the middle of the seventies, a new program was launched to ease the tense economic situation. It was designed to ease the burden on the national investment pool by constructing new [industrial] objects based on so-called self-amortization: Credits drawn were to be paid off by the goods realized from the production of so constructed enterprises.

The following were constructed or are currently under construction 'n conformance with these principles: A carbon disulphide plant in Grzybow, a calcinated soda plant in Matwy, a plastics complex in Wloclawek and the above-mentioned Police II.

In most cases the conditions of the specific contracts were, and are, so unprofitable that the repayment of credits and interest often requires complimenting of the commodity pool with production of other enterprises of the same type, causing a drain on the already modest domestic market. This appears to be the case of the soda factory and Police II. As a result, the so-called self-amortization is burdening the national fiscal balances instead of improving them.

/It becomes necessary to stress very strongly that the government consulting services had documented complete unprofitability of some of the investments (for example, Police II), and recommended their deletion from the plans -- however, without results./

The effects of thusly conducted developmental policies of the chemical industry are lack of structural cohesion of the particular subbranches, an inflated investment front which is responsible for lengthening of construction periods and, consequently, freezing of large blocks of capital.

To conclude this -- of necessity -- very abbreviated description of the actual status quo of the Polish Chemical Industry, I would like to show our place, in production figures per inhabitant, as compared to a bloc of highly industrialized countries and also the world (Table 2 on following page).

Items 1-3 pertain to production of power industry raw materials, electrical energy and steel, items 4 and 5 -- value of the chemical production and quantities of some more important products.

As can be seen, in power industry raw material production, we are -- thanks to coal -- better than the bloc of the capitalist countries and three times higher than the average for the world. In electrical energy production, our position is better than that of Italy, but much worse than the average for the bloc. We place comparatively well in steel production (even though the production of the Huta Katowice steel mill is not included). We are better than Italy and Great Britain and more than three times better than the world average. The data for the chemical industry clearly indicates the gulf which separates us from the highly industrialized countries. In the traditional chemistry (sulphuric acid and synthetic fertilizers), we have a strong position. However, in modern chemistry (plastics and synthetic fibers), we are far in the back.

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As is generally known, the chemical industry is composed of branches which encompass all industrial categories, beginning with minerals (sulphur, barites), through the so-called "heavy chemical industry," inorganic and organic (semifinished products, synthetic fertilizers, refinery products, synthetic fibers), all the way to "light chemical industry" represented by commercial type chemical industry (Pollena), pharmaceuticals (Polfa) and paints and lacquers (Plastofarb).

/Production of the more important products, per one inhabitant, in 1978./

Specification	Unit of measure per inhabitant	a) Bloc: USA, Japan, West Germany, France, Great Britain, Italy				b) Poland		World average
		average	minimum		maximum			
			amount	country	amount	country		
1. Production of power industry raw materials	kg	4,832	346	Japan	9,960	USA	6,180	2,245
In this:								
Hard coal production	kg	1,130	0	Italy	2,720	USA	5,500	595
Crude oil production	kg	880	0	Japan	1,970	USA	114	708
2. Electrical energy production	kWh	7,060	3,050	Italy	10,800	USA	3,300	1,810
3. Natural steel production	kg	634	364	G. Britn	890	Japan	550	166
4. Value of chemical production	\$	456	268	Italy	630	W. Germn	176	100
5. Sulphuric acid production	kg	100	51	Italy	155	USA	91	27
Chlorine production	kg	35	15	Italy	46	USA	10	6
Nitrogen fertilizer production	kg N	29	18	Italy	45	USA	42	12
Phosphate fertilizer production	kg P ₂ O ₅	20	7	G. Britn	34	USA	29	7
Synthetic fiber (chemical and artificial) production	kg	12	4.8	France	16.2	USA	4.5	2.3
Plastics production	kg	59	44.6	Italy	113	W. Germn	13.4	12

Table 2.

Data for 1977, pertaining to production, investment outlays, capital accumulation and consumption of hard coal, natural gas and electrical energy for the block units of the heavy and light chemical industries is presented in Table 3.

There are--as can be seen -- colossal, direct disproportions between the two blocks. The "heavy chemical industry" provides 58 percent of sold production, 56.1 percent of capital accumulation and it consumes 66.2 percent of investment outlays, almost 80 percent of hard coal, 76 percent of natural gas and 85 percent of electrical energy. These figures would be much worse if we did not include the refinery industry, which -- according to UN nomenclature -- should not be regarded as a chemical industry.

In this context, the raw materials grouping block provides 30.7 percent of sold production and 16 percent capital accumulation while consuming 50 percent of investment outlays, 76 percent of hard coal, 72 percent natural gas and 77 percent of electrical energy.

By comparison, three groupings of "light chemical industry" provide 28.3 percent of sold production and 35 percent of capital accumulation consuming 11 percent of investment outlays, 10 percent of the coal pool, 5 percent of the electrical energy and a fraction of 1 percent of natural gas.

The subbranch structure indicated above, which was certainly known to the so-called decisionmakers may create an impression that the highest economic echelons of authority, while setting forth and confirming the goals for the chemical industry, have excluded from considerations the economic factors.

III

The statistical data presented in Table 3 permit defining a strategy aimed at coming out of the current economic crisis.

As concerns the chemical industry, the primary consideration appears to be a question of investment policy.

As for the general economy, it will be necessary for the chemical industry, too, to accomplish a radical reduction of the investment front.

/ Data for 1977* /
/Ministry of the Chemical Industry = 100

Specification	Production		Investment outlays during 1975-1977	Capital accumulation from sales	Consumption of fuels and energy		
	Global	sold			hard coal	natural gas	electrical energy
A. Heavy chemical industry	54.2	58.5	66.2	56.1	78.8	75.7	84.5
in this: Petrochemia industrial plant	29.6	41.0	34.7	50.0	48.2	71.7	62.6
in this: Refineries	13.9	27.8	16.4	40.0	2.9	3.9	7.5
Inorganic industrial plants	7.4	4.4	15.3	-0.7	11.5	3.1	6.0
Organic industrial plants	5.3	6.1	6.8	2.4	7.3	0.9	7.0
Synthetic fiber industrial plants	8.9	7.0	9.4	3.9	11.8	0.0	8.9
B. Light chemical industry	29.5	28.3	11.0	34.7	9.9	0.4	4.7
in this: Plastics and paints industrial plants	15.9	13.0	7.1	9.5	5.6	0.1	2.9
Commercial type chemical industrial plants	6.9	7.1	1.8	9.8	2.2	0.3	0.6
Pharmaceutical industry plants	6.7	8.2	2.1	15.4	2.1	0.0	1.2

*Note: It was not possible to collect more up-to-date statistical material, because, the Ministry of the Chemical Industry had discontinued the publication of BIULETIN STATYSTYCZNY. The last issue, published in 1978, included the date for 1977.

Table 3

It has been several years since the means appropriated for the chemical industry did not permit a continuation of many [started] construction projects, thus causing in effect a freeze on very large blocks of capital. Since the next few years will not bring any improvement -- on the contrary, one has to count on further reduction of investment credits -- one must, in our opinion, /make a quick decision/ as to which objects should be continued and which closed down.

In relegation to the particular categories the deciding factor should be cost effectiveness. To start with, those investments should be dropped which at the moment of the decision regarding their implementation were already characterized by fatal cost-effectiveness indicators (such as Police 11). The next step would be to submit to a review the advisability of construction of capital-power-transport-intensive objectives. The reason for this is the actual deficit situation of those three factors.

The means which would be liberated in this manner and, above all, the creative forces, should be shifted to the construction of confirmed projects, with the intention of their fastest possible completion and transfer to productivity.

/It becomes necessary to state here, that as the years go by and we become progressively better equipped, our investment cycle is becoming progressively longer. Currently, even the smallest construction must last at least 3 years. Longer investments last 5, 7 or even more years (for example, Tarchomin, Wlockawek)./

The time factor has always played a key role. Now, due to a cost increase in investment capital expressed by the rate of interest (up to 20 percent), it assumes a decisive meaning. Often, only a 1-year delay in construction, will pose a question as to its effectiveness. This paradox of a long investment cycle lies in the fact that it is based on strictly subjective causes (lack of a materiel supply discipline, standardization cycles worked out by the implementers, careless execution, diluted responsibility, etc.).

It sounds like a fairy tale that during the thirties the Stalowa Wola complex was constructed in 18 months, including the entire infrastructure and the housing back-up.

The next task -- after reclassification of investments -- is the liquidation of all overages in machinery and equipment inventories, raw materials, and so on and so forth. Their value, in the chemical industry, should be estimated at well over 20 billion zlotys.

It is also necessary to perform an analysis of the existing technology, in particular as it concerns materiel and energy conservation, and to verify our own costs by properly pricing (that means not according to current market prices) all elements of cost. Ineffective production should be either modernized or discontinued. The goals presented here, as they pertain to the technological cleanup of the economy, can only be solved by a /broad participation/ of [production] crews. In this, a particularly important role will be fulfilled by SITPChem [Association of Engineers and Technicians of the Chemical Industry] and PTE [Polish Economic Society] circles.

I would like to stress very strongly that the last sentence was not meant as an empty phrase.

The activity of the high echelon party-government commission which is charged with the "preparation of proposals of changes in the economo-organizational model of our economy," and which is chaired by the chairman of the Council of Ministers, will only be fulfilled if it takes into account remarks and recommendations of those people who create the everyday material values, and who every day attest to the basic services for the people.

In conclusion, one more remark: I have omitted in these solutions the questions of organization and management. This is a very important subject and it needs a separate treatment, by professionals who are familiar with the problem.

/Summary/

The position of Poland's chemical industry within the national economy was briefly characterized. The causes of the deep impasse were given and some avenues leading to solutions were proposed.

9511

CS0: 2600

NEW PROVISIONS ON RESOURCE MANAGEMENT DISCUSSED

Bucharest ROMANIA LIBERA in Romanian 18 Feb 81 pp 1, 5

[Interview with Ionel Cetateanu, deputy minister of technical-material supply and control of the management of fixed assets, by Marian Dumitrescu: "A New Quality, a New Mentality in Managing the Country's Resources"; date and place not given]

[Text] [Question] The new form of the law on the management of fixed assets and material resources and the technical-material supply, Law 14 of 1971 as it is known, contains a number of new provisions--adopted by the Grand National Assembly--of particular importance for the proper performance of the activity of the whole national economy. We asked you for this conversation, Comrade Minister, in order to present to the readers the new qualitative elements that have arisen through the amendment and supplementation of the law of 1971.

[Answer] Before turning to a concrete examination of the new provisions, I would like to dwell on a few aspects of a principled order, necessary for understanding and applying correctly the law that we are discussing. It is, I believe, essential to bear in mind that the amendments and supplementations made in the law, devised under the direct guidance of Comrade Nicolae Ceausescu, have a major significance, they signifying in fact the bringing of the legislation that regulates the management of material resources into accord with the objectives and tasks decided by the 12th RCP Congress.

The regulatory act to which I am referring fits into the group of measures meant to provide the legislative framework necessary for improving the management and planning of the economy, for steadily applying the new economic and financial mechanism, for raising worker self-management to a higher plane, for increasing profitability and for achieving a high, qualitatively new efficiency in all economic life. Consequently, a decisive orientation toward the affirmation of the factors of intensive, qualitative development and of modernization of the economy, toward high efficiency in production activity, constitutes the basic concept.

[Question] In comparison with the earlier regulations, what exactly is new, as far as concrete provisions are concerned?

[Answer] First, a new chapter on the development of our own base of raw materials and energy has been introduced.

[Question] The problem, as such, was also stated in the old form of the law....

[Answer] Of course, but now a particular accent is being put on intensifying the activity of geologic research, which must lead to knowledge of the entire potential of mineral resources that our country possesses. It is necessary to stress the unitary character of the regulations for the whole economy, as well as the priority orientations and directions that it includes. Thus, to refer to a single example, scientific research will pursue the prospecting and multilateral exploitation of the subsoil, with a view to bringing to light all types of useful substances, through the organization of complex research groups. Obviously, this means a greater speed of research, higher economic efficiency and, in particular, distinctly higher quality in it, through the involvement of specialists able to provide exhaustive research on the subsoil. In the spirit of the law's new provisions, the inclusion of zones that are harder to reach and at greater depths in the research process and the utilization of ores with a lower content of useful substances concern the overall meeting of the national economy's requirements regarding the development of the base of raw materials and energy.

[Question] Knowledge of the resources--very important, of course--is just a first step, since their utilization also implies a suitable technology....

[Answer] This aspect has also been taken into account. Both the assimilation and the application of new technologies for recovering all useful components and increasing the degree of beneficiation and processing of raw materials are regulated in the new chapter. Provision is also made for the utilization of hydroelectric potential, inferior coal, shale and so on to the utmost and for the intensification of research on the use of geothermal, solar, wind and tidal energy. In this context, there are also express references to research meant to lead to the use of domestic waste for power generation and to the production and utilization of biogas, there being established at the same time the obligation of the executive committees of the county people's councils and that of the municipality of Bucharest to provide for the identification and utilization of all local resources of raw materials. Accenting the priority orientations regarding the development of the base of raw materials and energy, the new provisions promote a view with qualitatively higher exigencies for all the factors involved and with regard to the spirit of great exactingness in managing the raw materials, supplies, fuel and energy that we have on hand.

[Question] For example, what is the difference between the earlier law and the present one with regard to the use of fuel and energy?

[Answer] Of course, the idea of providing higher energy yields and of eliminating any forms of waste or irrational consumption also appeared before among the basic principles of our economic policy. The difference about which you asked men consists of clearly, explicitly defining the obligations that devolve upon each forum, each work staff. Thus, Article 27 establishes exactly the obligations that the researchers, the designers and the producers of power-generating equipment have, from the categories of products to the energy yields that must be achieved. Or, another example: there is mentioned explicitly the duty that devolves upon the National Council for Science and Technology, the ministries, the other central and local bodies, the scientific-research, technological-engineering and design units, the centrals and the enterprises, to modernize the technology and the structure of production, to find new solutions for obtaining high economic efficiency in the utilization of energy. The fact is worth noting that the production and consumption of energy-intensive materials are regulated to the bare necessities by means of the new

provisions, with an accent being put in the future on the development of the branches that require low energy consumptions.

[Question] Comrade Minister, could you offer us a few concrete examples of the efficiency of the new measures?

[Answer] Certainly. However, I suggest to you that we discuss the provisions of Law 14 in the following way: first a brief review of the amendments and supplementations made and then we will detail the main new elements during future discussions.

[Question] All right.

[Answer] Then, I will turn to a new chapter--namely, to the recovery and utilization of material and reusable resources. The chapter, entirely new, establishes--in accordance with the provisions of Decree No 465/1979--the obligation of the enterprises, centrals, ministries and other central bodies to provide completely for the recovery and utilization of all reusable supplies, used raw materials and other material resources that can be used as such or through reconditioning, as well as the achievement of new technologies and of the capacities necessary for better utilizing the respective resources. The law also provides the obligatoriness of establishing norms and standards for recovery, reuse and reconditioning for all categories of raw materials and supplies that can be reutilized, with the furnishing of the allocated quantities of raw materials by the suppliers being conditioned by the way in which the recovery and reuse of the old ones have been provided. Let me give you an example of a new regulation that seems significant to me. The furnishing of new tires is done only if the quantity of used tires for retreading has been turned over. But the law also establishes explicitly a ban on the use of tires beyond the limit of wear that permits retreading and the bearing of the losses directly by those guilty in the case in which, by exceeding the allowed wear, the tires can no longer be reused. It has been calculated that at the level of the national economy a quantity of at least 300,000 new tires can be saved by means of the above-mentioned measure.

[Question] I saw in the new law a separate chapter that refers to the recovery, reconditioning and reuse of parts and subassemblies. Does it bring new elements in comparison with Decree 465/1979?

[Answer] Besides the basic rules that it takes from the above-mentioned decree, precise provisions in connection with those who do the reconditioning are also included. Of course, much may be said in connection with the field that we are discussing. I will confine myself just to pointing out the fact that the creation of a true industry for recycling reusable material resources--as the secretary general of the party has indicated--is acquiring a particular importance, of acute topicality, for providing the material resources necessary in fulfilling the plan targets in the current five-year period.

[Question] The field of the sensible utilization and management of fixed assets, which, in the old form of the law, represented just one article, has now become a separate, very extensive chapter. Please comment on this fact.

[Answer] The improvements and supplementations made have as a goal the use of the existing production spaces and capacities to the utmost. Thus, one's attention is

arrested by the provision that the meeting of the need for machinery, equipment, installations and spare parts is done only on the basis of standards, whose preparation is regulated by law, with the competent units and forums being forbidden to request and to allocate machinery, equipment and installations in the situations in which the existing ones are not used at full capacity. The obligation of the enterprises, centrals and ministries to provide for the complete employment and utilization of the production capacities is also legislated, with the programming of the shifts being done under conditions that lead to the optimum employment of the production capacities and to the sensible use of the work force on each shift. With a view to keeping the equipment and installations in perfect working order, the responsibility of the ministries, centrals and enterprises for performing the work of current maintenance, period overhauls and current and capital repairs at the proper time is instituted, with the planning and performance of the respective work being done on the basis of technical standards regarding the operating periods between overhauls and repairs and time standards according to operations and categories of work.

[Question] Comrade Minister, let us try to evoke, briefly, the latest categories of problems solved by the new law....

[Answer] The powers and responsibilities that devolve upon the Ministry of Supply, the State Planning Committee, the other ministries and local and central bodies, the industrial centrals, the enterprises, the scientific-research, technological-engineering and design units and so on in the field of the technical-material supply and the management of material resources and fixed assets have been stated more precisely in relation to the principles of the new economic and financial mechanism. The dual subordination of the supply and sales departments in the ministries and in their subordinate units, both to the bodies of whose structure they are a part and to our ministry, has been instituted.

The system of the responsibilities for violating the legal standards in the field of the technical-material supply and the management of material resources and fixed assets has been established.

Finally, I want to stress the firm conviction which we have that the act of precisely putting into practice the regulations in the new law will lead to distinctly better results with high efficiency, both in the activity of each economic unit and in that of the whole Romanian economy.

12105

CSO: 2700

MORE EFFICIENT USE OF INDUSTRIAL PRODUCTION CAPACITY URGED

Bucharest SCINTEIA in Romanian 7 Mar 81 pp 1, 3

[Article by Ilie Stefan: "Machinery and Equipment--Used With High Efficiency"]

[Text] Let us reflect first on a calculation: at the level of the year 1981, a 1-percent increase in the efficiency of fixed assets, with respect to the plan, is equivalent in industry to a rise of nearly 3 billion lei in net output. A sum that provides annually pay funds for about 40,000 working people, an addition of over 250 million lei to the fund for sharing profits with the working people in industry, and funds for building over 15,000 apartments.

As is known, in all industrial branches, in all enterprises we possess considerable fixed assets--technical equipment created by means of an impressive investment effort. It is a question of hundreds and hundreds of production capacities and facilities put into operation each year, providing the technical base necessary for fulfilling the plan's quantitative and qualitative goals. Over 62 percent of the total volume of fixed assets has been connected to the production circuit in the past decade, a fact that expresses graphically the modern character of the economy's technical base--in the final analysis, the vigor of Romanian industry's potential. That is, year by year, we have invested with wisdom and a thrifty spirit a significant part of national income with a precise goal: to increase material production and national wealth and, on this basis, to create conditions for continually raising the standard of living. It is important that day by day this technical potential be used with a thrifty spirit, with high efficiency.

Emphasizing the particular significance of utilizing the technical potential at full capacity, in close connection with the big tasks of growth in production and in economic efficiency in 1981, at the plenum of the RCP Central Committee in October of last year Comrade Nicolae Ceausescu pointed out: "Only if we were to provide the full functioning of the existing capacities of all installations, equipment and machinery, we could achieve the anticipated production without any other investment, without any new capacity being put into production." You see, consequently, how topical and acute is the requirement of utilizing fully, with high indices, the machinery, equipment and installations, a task also stressed markedly at the plenum of the National Council of Working People this year.

One specification ought to be made with all possible clarity: it is not a question of the growth in itself, at any price, of the index of utilization of technical

resources. By no means! At all times, the use of machinery and equipment must be pursued in close correlation with the tasks with regard to the growth of production, with the concrete necessities of the economy, with the obligations that devolve upon each industrial unit with a view to quickly recovering the funds advanced by society for developing and modernizing the technical base of production. In other words, by means of the full, intensive utilization of technical resources, it is necessary to provide a perfect, dynamic correlation between the fulfillment of the quantitative and qualitative goals of the plan, between the growth of fixed assets and the growth of labor productivity and economic efficiency in all the enterprises. These are quite particular exigencies that the leadership of the party is placing before the working people in the 1st year of the five-year period of quality and efficiency.

There was a period when the managements of some enterprises, in chasing after development at any price, requested large amounts of investment funds without thoroughly and responsibly analyzing the efficiency with which the existing production capacities were being used. This led to disproportions between the growth of fixed assets and the efficiency of the utilization of them. For instance, if we refer to the physical and net output or to the profits obtained per 1,000 lei of fixed assets, we note big differences between the results obtained for these indicators by units with a similar specialty and with similar technical equipment. And, frequently, it is a question of neighboring enterprises or ones that belong to the same industrial central, of units that can inform each other about the advanced experience gained by one or another of them in the field of the management of fixed assets. Such situations attest that in some enterprises the concerns for increasing the efficiency of the utilization of fixed assets are not yet in the center of the attention of their managements.

The very fact that in recent years the rate of growth of fixed assets has outstripped the rate of growth of labor productivity demonstrates that the machinery and equipment on hand have not been used fully, efficiently. However, only by providing in each economic unit for the systematic growth of the efficiency of each lei invested in machinery, equipment and installations--expressed by means of the volume of the production and profits per 1,000 lei of fixed assets--is it possible to create conditions for completely and rapidly recovering the funds allocated for developing and modernizing the technical base of production. Moreover, in conformity with the exigencies of the new economic and financial mechanism, each staff must weigh matters with maximum maturity and responsibility in employing public funds and must decide on the achievement of new investments only after everything that has been built, all production capacities are used sensibly, to the full and with high efficiency.

In what directions must action be taken in order to utilize the technical resources optimally, with high efficiency? Let us dwell on a fact with a special significance. At one time, at the Precision Machinery Enterprise in Sibiu, the matter of acquiring 51 machines, for whose placement a production space of 510 square meters would have been necessary, was raised with a view to increasing the production of a certain product. In addition, 153 workers, who would work at the respective machines in 3 shifts, were also necessary. The solution was very costly and was not accepted by the staff, which opted for the introduction of a new technological procedure conceived by the specialists of the enterprise. The results? Among other things, the planned increase in production was achieved with only seven machines.

Another industrial unit--the welded Pipe Plant in Bucharest--was also in a similar situation. The staff of this enterprise chose another solution: the relocation of manufacturing lines and the better organization of production and labor. The results of these measures are also worth heeding: without any additional investment, the labor productivity rose 15 percent.

Two enterprises, two concrete modes of actions, but ones that confirm an incontestable fact with a more general validity: the efficiency with which fixed assets are utilized depends, above all, on the creative efforts that each enterprise staff invests for the better organization of production and labor, for the consistent promotion of technical progress and advanced experience.

A sequence from the experience of another enterprise: the Combine for Binding Agents and Asbestos Cement in Fieni, where cement with the lowest energy consumption in the country--also competitive from this viewpoint on the world market--is manufactured. There, great attention is devoted to the maintenance of the installations and equipment, to the performance of good-quality repair work. In addition, the capital repairs are frequently accompanied by a number of improvements made in the equipment and technologies. All these things provide a continual increase in the indices of use of technical resources, which directly influences the growth of production and the reduction of energy consumption. This is one of the many positive experiences acquired in this field, which attests, with the persuasive power of facts, that in each enterprise it is necessary to devote quite special attention to raising the quality of the work of maintenance, overhauls and capital repairs. Each repair must be prepared rigorously, organized sensibly, with the necessary spare parts being provided in advance, both by fully using the capacities of the repair and maintenance sectors and by reconditioning the used components and subassemblies to a greater extent, in such a way that the machinery and equipment are removed from the production circuit for as short a time as possible.

Of course, we are not saying anything new: in order to better exploit the machines of high technicality, there is a need for people with high professional, technical and scientific training. This is a fact of which the staff of the "Aversa" Pump Enterprise in Bucharest, for instance, was convinced from its own experience. Acting perseveringly to train the work force, to raise the qualifications of all the workers, this unit has succeeded for several years in achieving significant increases in production just by means of growth in labor productivity. That is, with the same production capacities. Moreover, possessing a well-qualified work force, the enterprise has turned to the specialization of production, and good experience in the expansion of work at many machines is now showing up there. The favorable influence that the training of the work force and the raising of the qualifications of all the workers have on the growth of the efficiency of the utilization of fixed assets is no secret to many other industrial units. Nevertheless, there are enterprises that devote insufficient attention to this matter. The consequences? The belated attainment of the projected parameters at some of the new production capacities, the persistence of the so-called accidental interruptions in the functioning of the equipment, and the use of it with low outputs. This is why the party bodies and organizations and the working people's councils in each economic unit must turn decisively to the proper organization and performance of professional and technical training, for continually raising the technical and professional level of all the personnel.

One thing is clear: the utilization of the production capacities, of all machinery and equipment, with greater efficiency can and must find itself a good solution in each economic unit. The working people in the enterprises, in their capacity of owners, producers and beneficiaries, bear the entire responsibility for managing the technical and material holdings that have been entrusted to them by society for administration. And it lies within the power of each staff that everything which we have built, everything which we have invested will be used to the full, with maximum efficiency, in the interest of building up national wealth, of speeding up the economic and social progress of the country.

12105

CSO: 2700

TOURISM MINISTER REVIEWS PAST ACCOMPLISHMENTS, 1981 GOALS

Bucharest SCINTEIA in Romanian 1 Mar 81 pp 1,4

[Interview with Emil Draganescu, minister of tourism and sports, by Constantin Priescu]

[Text] [Question] For a start, please give us a general picture of the major accomplishments obtained by working people in the units of the Ministry of Tourism under the 1976-1980 Five-Year Plan and, specifically, in 1980.

[Answer] The same as for the other sectors, under the five-year plan which we recently completed and specifically in 1980 the tourism sector obtained good results. As a characteristic of a harmoniously developing economy, tourism also has greatly expanded during this period. For instance, for the main indicators in tourism, the plan targets for last year were attained as follows: for tourist services to the population, 100.2 percent; for free currency collections from foreign tourism (including air transportation), 100.4 percent; for goods marketing through restaurants and other catering units, 102.6 percent. Moreover, the profit plan was exceeded and savings were achieved versus the planned rate of return, respectively the costs in lei per foreign currency unit were reduced. Furthermore, 1980 saw the greatest ever achievements in Romanian tourism. In comparison to 1975, foreign currency collections went up 50.1 percent, the volume of tourist services to the population, 61.8 percent, and goods marketing through restaurants and other catering units, 54.4 percent.

As a result of the consistent policy of our party and state and of the direct and constant concern of Nicolae Ceausescu for the continuous improvement of the working people's standard of living, under the five-year plan which just concluded Romanian tourism progressed considerably. Thanks to the continuous expansion of the material base and the gradual reduction of the working week, conditions have been created now for more than half of the Romanian population to be involved in tourist activities focused on recreation, education and enhancement of work capacity. Moreover, in the last 5 years, Romania was visited by 26.7 million foreign tourists, including 6.7 million in 1980 alone. The qualitative changes involved the diversification and enhancement of the tourist offer, broadening of the range of services, better phasing out of the tourist flow throughout the year, greater profitability of tourism units

and programs, increased collections of foreign currency, and so forth. These results prove that we have the material and human factors capable of assuring the implementation of the tasks set by the party leadership in regard to creation of better and better recreational conditions for working people, for attracting a greater number of foreigners into the tourist flow, into acquaintance with the scenic beauty of this country and the great accomplishments obtained under socialist construction.

[Question] The five-year plan of quality and efficiency involves special tasks also for the units of the Ministry of Tourism. What has been and will be done to firmly implement the directives of the party leadership in this area?

[Answer] In light of the mobilizing guidelines set by the party secretary general at the October and December 1980 plenary sessions of the Central Committee of the Romanian Communist Party, we have critically and self-critically analyzed the activity conducted and drawn the necessary conclusions for even firmer action to assure greater efficiency of the overall activity and greater competitiveness of our tourism facilities domestically and internationally.

Basing the 1981 plan on criteria of intensive development, all our activity will be conducted under the keynote "Better, Prompter, More Efficient Services." This means that we shall increase our efforts to provide working people with recreational facilities in conformance with the constantly growing needs and to obtain for the economy a greater foreign currency intake from international tourism activity. To this end we initiated measures to achieve both in domestic and foreign tourism the safest possible contracting, including long-term projects, for all the tourism offer of our country.

In line with the party documents, that urge new progress in terms of quality, and drawing lessons from the activity conducted under the prior five-year plan, the workers in tourism units have started 1981 with the resolve to assure from the first days the highest possible qualitative level. On the basis of the notifications and suggestions made by tourists and the exacting analyses made by the executive council of the ministry and the councils of working people in units, there has been an enhanced strictness in regard to any violation of standards in terms of honesty and integrity, politeness and solidarity, in order to eliminate any cause that generates dissatisfaction and displeasure.

As is well known, tourism is a national asset. Our efforts focus on making it an item in great demand, on continuously enhancing its prestige on the domestic and foreign market. We aim to make our efforts harmoniously and constantly blend with the efforts of other sectors. Smooth and quality supply of units, greater comfort in transportation facilities, greater variety of tourism products and souvenirs, adequate maintenance of traffic arteries, adjustment of art and sports programs to the needs involved in tourism seasonality are only a few of the issues that must constantly focus our attention and the attention of other parties involved in the smooth run of tourism.

[Question] Even though tourism tends to become an industry with an all-the-year-round basis, certainly there still is much to be done to reach this stage.

[Answer] We must reach this goal and major steps have already been taken in this direction as a result of the expansion and diversification of the material base. We can progress swifter by more amply expanding spa and mountain tourism, circuit tourism, by playing host to more socioprofessional international events, which facilitate knowledge and exchange of experience among Romanian and foreign specialists. We are now very carefully examining the prospect for decentralization -- at first partial -- of room assignments, in order to make it easier for county offices to contract for specified facilities directly with the production units or with groups of such economic units, capable of utilizing all the year round a particular hotel or cottage in health resorts. Improvements also are needed in promoting off-season trips from other countries to Romania. We have every condition for using the experience of some countries in organizing international events, in terms of scheduling these activities when accommodation is available, not only during the summer months -- July and August -- which, by and large, are in excessive demand for recreation and treatment, for transit tourism.

[Question] Because the summer season continues to be prevalent in tourism, what measures have been taken to make adequate preparations this year?

[Answer] All the preparation unfolds concomitantly along two lines: for full utilization of the accommodation facilities throughout the entire peak season (May-September inclusively) and for preparation of health resorts, of each unit, for the purpose of providing high quality services. The year 1980, concluded with the completion of the ministry's plan for all quantitative and qualitative indicators, save investments, by the coefficients attained in terms of using the accommodation facilities -- under 80 percent for all forms of accommodation -- also indicates the goal on which we need to focus our efforts this year. We are ready to put on sale the tickets for the seaside resorts, during the immediately following period, through all our major benefitting units in an organized system and through the own agencies for the population. Moreover, abroad we have concluded adequate contracts. The program of preparation for the summer season contains complex measures. It focuses mainly on completing all the projects for the proper opening of the seasonal tourism units by 30 April (specifically the seaside resorts); decadal coordination of smooth delivery of the needed seasonal goods by suppliers and the formation of reserves at this time already, in refrigerating facilities; reassignment of work force in required amounts (skilled and unskilled personnel) to seaside resorts; organization in all the seaside resorts and in the major spas in Romania of "quality control centers," to daily analyze, with both foreign firms and representatives of the chief suppliers of tourists, the quality of the services offered; upgrading of the activity in the system of selling and assignment of accommodation tickets; development and maintenance of green areas and beaches in health resorts with the assistance of local organs; expansion and diversification of recreational amenities in all health resorts.

I have listed some of the measures taken by the ministry, but each unit's collective, certainly, has specified in detail the local measures to be taken for entering the season with a well-prepared tourist capacity. Furthermore, because our tourism offices have a dual subordination -- to the Ministry of Tourism and to the county people's councils -- certainly, together we are responsible for the smooth preparation of the season on a countrywide basis. The support which we also received in the past years from the county people's councils, the responsibility proved in terms of capitalizing on Romania's tourist wealth guarantee that this year also the people's councils, in light of their increased powers, will do all their share in adequately preparing the summer tourist season.

On behalf of workers in the tourism industry, we assure our customers at home and abroad that we shall make every effort, using every means, so that 1981 may continue the array of good results obtained by Romanian tourism under the recently completed five-year plan. We are aware of the need for continuously enhancing our endeavors for self-surpassing, for putting to better use the experience gained, for raising the professional level of most workers in tourism, so that the new quality of our work may simultaneously be reflected in superior economic results and in the satisfaction of all those who will enjoy in use of their leisure time and organization of their vacation the assistance of tourism offices, of our units.

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